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Author:

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Title:

**Review of the report by  
the Transit Commission...**

Place:

**[Albany]**

Date:

**[1922]**

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BIBLIOGRAPHIC MICROFORM TARGET

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40  
B62 Blossom, Francis, 1870-  
Review of the report by the Transit commission  
Bureau of valuation dated February 15, 1922, and  
titled "Valuation as of June 30, 1921, of the  
physical property of rapid transit and street  
surface railroads in the city of New York" with  
special reference to the street surface railroads  
of Brooklyn, July 29, 1922, by Francis Blossom.  
[Albany, N. Y., The Argus co., 1922]  
105 p. 27 cm.  
Supplement no. 1: p. [101]-105.

RESTRICTIONS ON USE:

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm

REDUCTION RATIO: 16x

IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 1-18-95

INITIALS: DG

TRACKING #: MSH 03731, MSH 03732

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REVIEW  
OF THE  
REPORT BY THE TRANSIT COMMISSION  
BUREAU OF VALUATION

WITH SPECIAL REFERENCE TO THE  
STREET SURFACE RAILROADS OF BROOKLYN

FRANCIS BLOSSOM  
1922

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## REVIEW

of the

Report by the Transit Commission Bureau of Valuation  
dated February 15, 1922, and titled

"Valuation as of June 30, 1921, of the Physical Property of Rapid  
Transit and Street Surface Railroads in the  
City of New York"

with special reference to

THE STREET SURFACE RAILROADS OF BROOKLYN

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JULY 29, 1922

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BY  
FRANCIS BLOSSOM

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The Argus Co., Printers, Albany, N. Y.

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SUMMARIES AND PERCENTAGES OF OMISSIONS OR  
SHORTAGES FOR ALL COMPANIES

SAN FRANCISCO

SANDERSON & PORTER

CHICAGO

ENGINEERS

52 WILLIAM STREET NEW YORK

## STATEMENT.

The following Review is made, so far as practicable, in conformance with the methods and procedure followed by the Valuation Bureau of the Transit Commission in its report dated February 15, 1922. The full review and analysis of such report will require additional conferences with the Engineers of the Valuation Bureau and the study of matters beyond the scope of this Review.

The objective of this Review is to present the important facts that have been ascertained, comment on them from the viewpoint of experience, derive conclusions and make such suggestions as seem appropriate. Such presentation is divided into:

Part I—which comments on the General Introductory statements of Valuation Report.

Part II—which comments on the Allowances for Construction Overheads and Company Overheads and other Company Costs for all properties.

Part III—which deals with the changes that should be made in the items and costs shown in Valuation Report as applicable to Land and Right of Way Values, Contract Costs, Construction and Company Overhead and Other Costs, Quantity Shortages and so-called Non-Operating Property for Reconstruction Cost New as of 1921.

This Review covers the properties of the following companies:

The Nassau Electric Railroad Company.  
The Coney Island and Brooklyn Railroad Company.  
Brooklyn, Queens County & Suburban Railroad Company.  
South Brooklyn Railway Company and Lessor Companies.  
The Brooklyn Heights Railroad Company.  
Coney Island and Gravesend Railway Company.  
The Brooklyn City Railroad Company.

July 29, 1922.

FRANCIS BLOSSOM.

## GENERAL.

1

The Transit Commission has stated that the Report of its Valuation Bureau dated February 15, 1922, is tentative, is open to criticisms or suggestions with respect to its contents or conclusions, deals only with values having to do with the contemplated purchase of the properties covered and does not relate to rate making or to condemnation figures. I have reviewed that portion of the Valuation Report which relates to the Brooklyn Surface Roads. I have also compared its figures with data furnished to me by the companies and information in my possession. I use the statements and figures of the Valuation Report as a working basis in this Review.

My views and conclusions are herein stated. They are first given as comments on the general statements contained in the printed ten-page introduction of the Report, entitled "Report on the Valuation of Transit Properties—Greater New York;"—and then on the

- (a) Errors in the bases or principles of valuation adopted and in the conclusions expressed.
- (b) Omissions of items or quantities from inventories.
- (c) Under-estimates of unit costs.
- (d) Inadequate allowances for Job Overhead Costs.
- (e) Inadequate allowances for Company Overhead Costs during construction.
- (f) Omissions of pre-construction Company Costs and of the carrying charges thereon.
- (g) Omissions of other Company Costs.

To ascertain the facts as to all differences a conference will be necessary with the Valuation Report Engineers regarding each property.

Omissions of many kinds are inevitable in making inventories and reconstruction cost estimates of properties and it is necessary to make liberal allowances therefor. The principal omissions comprise:

- (a) Property overlooked and not listed because inaccessible or not readily seen.
- (b) The actual costs of removing the obstacles met when the work was built and which, being removed, are not evident when the inventory is made.
- (c) Underestimates of quantities, unit construction costs, job and company overhead costs, pre-construction company costs, and physical development costs.

2

Due to usual lack of personal knowledge or experience in corporation organization and administration, engineers engaged on the details of inventory and valuation work are likely to underestimate the company costs of construc-

3 tion and the pre-construction work, the financing and interest. They seldom differentiate properly between the rates for interest and money charged to a speculative construction enterprise without earnings or credit and the rates securable by a going concern having earnings adequate to guarantee payment of interest and dividends on the securities it markets for new construction.

When consulted on these matters I advised that every facility and the fullest information be given the Commission engineers, and that they be furnished with full data regarding all the properties. I was so authorized and proceeded accordingly. I utilized competent assistants who co-operated with the Commission. Among those I had with me in my work on the Brooklyn Surface Lines, in addition to engineers regularly employed in my own office, were:

4 R. S. Buck—Graduated in 1887 from Troy Polytechnic Institute; was formerly a partner in Sanderson & Porter; in Government service; Chief Engineer of Manhattan and Williamsburg Bridges; Chief Engineer of Dominion Bridge Company; Engineer of Maintenance of Way of New York Railways; and with me for over two years on Brooklyn City Railroad work.

Thos. F. Mullaney—Engaged for over thirty years in electrical construction and equipment work throughout the United States; formerly Chief Engineer of Third Avenue Railroad, New York.

J. R. C. Armstrong—Engaged for over 27 years on construction and operation of power stations and substations; electrification of horse and cable roads; Chief Electrical Engineer in charge of the engineering and design of electric freight and passenger rolling stock; and in practice as Consulting Engineer in the foregoing lines.

Chas. A. Remelius—Engaged for over 35 years in machine tool design; a Mechanical Engineer thoroughly familiar with railroad tools and their construction.

5 Julius A. Hanna—Engaged for over 37 years in the manufacture and sale of railroad cars, trucks and equipment; recognized to be a rolling stock valuation and appraisal expert therein.

In addition, I have conferred on Land and Right of Way and Easements with J. H. Bennington of the Department of Real Estate & Taxes of the Brooklyn Rapid Transit Company. I have used herein the values I obtained from him.

## PART I. COMMENTS ON THE GENERAL INTRODUCTORY STATEMENTS OF VALUATION REPORT.

PART I.

6

COMMENTS ON THE GENERAL INTRODUCTORY STATEMENTS  
OF VALUATION REPORT.

(1) The "Original Cost" valuation described in the Report appears to be a mixture of estimated and of actual costs and of many assumptions, indicating that the valuing engineer has presented figures which show what he thought the properties probably cost or should have cost,—under conditions he assumes to have existed when he assumes they were created;—rather than what they actually did cost, on a recognized accounting basis. The costs and prices prevailing one or two generations ago are not either normal or applicable to present purchase and sale appraisals, and can have no value therein. They might warrant consideration in a rate case to arrive at an "investor's sacrifice" figure of cost. This would necessarily include accrued deficits in fair return, or going value under the New York law, and other direct and indirect costs.

(2) The 1910-1914 Reconstruction Cost described in the Valuation Report uses prices which it designates "pre-war prices." These are supposed to be the prices prevailing during such years but appear to be the extremely low prices of 1914. These also have passed away. While nearer the prices of today than are the original costs of prior years, there is no justification for calling 1910-1914 prices *normal* except for their own period. They are *super-normal* judged by many earlier or lower prices, and *sub-normal* judged by the higher prices which have since prevailed. Neither does a *normal* exchange value of commodities exist, although the ratio of the *average* price of rails and mechanical and electrical equipment, etc., to the *average* of living costs is much less variable than the ratios of prices of single commodities. The gold dollar shows the most extreme variation in value as measured by everything else.

(3) The 1921 Reconstruction Cost valuation described in the Report is based on an inventory stated therein to have been made as of June 30, 1921, and on prices stated in Report to be taken in the "period of the first six months of 1921, which was immediately preceding the completion of the inventory, and intended to reflect the then 'present day prices and conditions.'"

(4) In each of the three above-described bases of negotiation the Report states that deduction should be made either for depreciation, or for the cost of putting the properties into first-class operating condition. In this connection, the Report states under the caption "Depreciation," that "in considering the investor it would become necessary to trace the actual investment of the present holders of the securities, and to ascertain whether such investment when made reflected the depreciated condition of the property before any injustice in deducting depreciation from the full valuation of the property could be seriously maintained. Investors in transit properties have changed many times since operation was first commenced, and the price paid in the transfer undoubtedly considered the condition of the property." This is incorrect, for a stockholder succeeds to all rights of a previous stockholder, and the justice or injustice of

8 any method of treating depreciation cannot be affected by a change in the ownership of securities—whether such change is effected by purchase, gift, bequest, exchange or otherwise. Moreover, prices paid for stock are usually dependent on present or prospective earnings.

The Report further states that “the straight line basis has been quite uniformly accepted as the most practical means of determining the amount 9 which should be deducted from the value of the property to which depreciation applies.” This statement also is incorrect. Such basis has been quite uniformly rejected. This is admitted in testimony given at the hearings held since the Report was presented. The reason it is rejected is that the straight line method is illogical. It takes no cognizance of the wear, tear, use, exposure or condition of the property nor of the amount of the expenditures made thereon for maintenance, repairs, renewals and replacements. On the straight line depreciation theory of the Valuation Report two pieces of equipment of the same age are given the same depreciation and actual facts as to their real condition are ignored.

Two methods of computing depreciation are used in the Report, viz.:

- (a) Straight line depreciation, based on the proportion that the *estimated* expired portion of the *estimated* life (with allowance for *estimated* salvage or scrap value) bears to the total *estimated* life (such life being speculative or unknown in many cases):
  - (b) Depreciation determined by the estimated cost in 1921 of placing the properties in first-class operating condition.
- 10 (5) The Report advocates taking the so-called “original costs,” and subtracting therefrom the cost of placing the properties in first-class operating condition at the higher prices of 1921. It includes in the amounts so deducted both its estimated “deferred maintenance” and its estimated “deferred replacements,” *i. e.*, in addition to deferred maintenance the Report deducts much accrued straight line depreciation. The Report then recommends that the amount of residue, ignoring estimated value of the non-operating property, be offered to the owners, in bonds.

The method used in this connection is stated in Valuation Report under the caption “Conclusions and Recommendations,” and reads: “It is our conclusion that a fair valuation for the existing property of companies other than that included under Contracts Nos. 1, 2, 3, and 4 and their related certificates would consist in allowing the original cost less the expenditures necessary to put the property in first-class condition.” I do not agree with this conclusion. It is difficult to see how it could be reached by business men. Certainly none of those who wrote the Report would consider such a method of valuation fair if applied to their own home or property. If the conclusion or rule expressed 11 in the Report were generally applied owners might have to part with property for nothing, or pay a buyer for taking it. It penalizes investors who, instead of waiting until 1921, spent their money 20, 30 or more years ago to serve the public. A cubic yard of excavation or fill work done in 1890 is now as valuable to the public as if done in 1920. Had the conclusion or rule been originally announced that investors in other kinds of property than railroads would get

appreciation in value but that owners of public service property would be 11 denied any appreciation of value if and when they sold their property, Brooklynites would probably now be walking or riding in horse cars or buses. This valuation is for the purpose of purchase. For all work, whenever built, it would seem that the owners are entitled to receive its present value.

(6) Herein I deal with basis number three, mentioned above and given in the Report, namely, reconstruction cost at 1921 prices, because I do not consider that a valuation arrived at by any other method will meet the tests of current business practice for the purposes of proposed negotiations.

(7) The Report states under caption “Expenditures Necessary to Place Property in First-Class Operating Condition” that the present day condition 12 is not necessarily that of June 30, 1921. This statement is particularly true now, as very liberal expenditures on maintenance have been made since the enactment of the Transit Act, and the values of the properties are now correspondingly increased. The lesser prices of the present day would, by reducing the costs of the work which the Report deducts as necessary to put the properties in good condition—show larger values for each of the properties. The Report includes in the amount which it so deducts at 1921 prices:

- (a) An estimated amount to cover the estimated requirements for overcoming deferred maintenance;
- (b) A large additional estimated amount to cover its estimates for “deferred replacements” of equipment, *i. e.*, equipment which it assumes should be retired from service.

Moreover, such deferred replacements have been determined by an erroneous method, *i. e.*, by assuming the expenditure of money to place property in first-class condition and then retiring such property. An indication of the magnitude of the amount that the Report claims should be allowed for deferred replacements is given by the statement appearing in Report of Public Service Commission, First District, New York, for year ending December 31, 1920, on page 88, which gives the then *deferred maintenance* of the surface lines 13 as follows:

“Cars—All companies (based on 3100 cars).....	\$231,159
* Track & Paving	
Brooklyn City Railroad Company.....	1,500,000
Brooklyn Heights Railroad Company.....	101,000
Brooklyn, Queens County & Suburban Railroad.....	670,000
Nassau Electric Railroad Company.....	1,300,000
Coney Island & Gravesend Railroad.....	70,000
Coney Island & Brooklyn Railroad Co.....	423,000
	<hr/>
	\$4,295,159

\* Estimates as to track and paving were given in even amounts which accounts for differences of \$2,760 between reported amount of \$4,292,399.

The *deferred maintenance plus deferred replacements* for these same companies is estimated for 1921 in Valuation Report at \$11,368,645.

- 13 In this connection the Valuation Report states "it is believed that due consideration should be given to an estimate of the necessary expenditures of this character as a practical means of determining the actual rather than the theoretical depreciation. Life is necessarily affected by the standard of the repairs. Renovation and rehabilitation from time to time will operate to make over and renew and if successively continued may prolong the line in service to an extent difficult to estimate." This statement cancels the preceding statement in the Report which says in effect that it is proper to deduct theoretical depreciation based on age. It substantiates the contention made by the companies that, for proper determination of depreciation, findings must not be theoretical but must be based on inspection and on facts.

The Brooklyn Surface Road properties are now in seasoned condition and require only that enough money be spent on them to enable them to give a quality of service equal to that which the same properties could give if new. To spend more than this amount would be wasteful and extravagant. In arriving at a purchase and sale figure it may be proper to allow a credit, from the value of the property if new in amount sufficient to put these properties into condition to give first-class service, but it is not proper to deduct the capital cost of new equipment expected to be purchased with the object of increasing the net earnings receivable by the new owners.

- 15 In the record of the service hearing had recently before the Transit Commission in the matter of the overloading and underloading of the Brooklyn Surface Lines, testimony was given as to the beneficial effect on the service of recent expenditures made on maintenance by the Brooklyn Surface Lines. In commenting thereon Mr. Redington, Counsel to the Commission, then stated, in connection with the testimony of Mr. D. L. Turner, Chief Engineer of the Commission,—“it is somewhat of a relief, Mr. Commissioner, to find service that is proper under the changing conditions.”

(8) Whether the owners would be willing to accept bonds instead of cash is a matter for them to determine. There is of course a difference between the proper price for these roads if paid in cash and if paid in bonds issued against the group without a city guarantee of the bonds. The rate of interest and the term of the Group bond would also be important factors. At one of the hearings the Engineer of the Commission testified, in this connection, that the Report Engineers assumed that  $7\frac{1}{2}$  per cent bonds could be sold for par. The corresponding price for a 5 per cent bond yielding  $7\frac{1}{2}$  per cent to maturity would be but  $66\frac{1}{2}$  for a 50 year bond;  $68\frac{1}{2}$  for a 40 year bond;  $70\frac{1}{2}$  for a 30 year bond; and  $74\frac{1}{2}$  for a 20 year bond.

- 16 (9) Certain general costs, some of which are mentioned in the Report, apply to all the Brooklyn surface roads. Such costs include the Construction Overhead costs and the Company Overhead costs, whereas, the direct individual property costs for materials and labor are a function of quantities in each case and of their corresponding unit costs. All such general costs are as inevitable and unavoidable as the costs of steel rails or cars. They may be computed either on the basis of material and labor costs or they may be based on reasonable estimates fixed by experience had in the building of similar properties.

- (10) In the estimates given for 1921 reconstruction costs no allowance 16 is included in the Report for the extra cost of piece-meal construction. Though this item is possibly irrelevant on the basis of 1921 reconstruction it seems proper to point out that substantial addition should be added therefor in any estimates of original or actual or historical cost.

(11) The Report underestimates the allowances that must be made for costs of land and right of way. Such costs must, as estimated by Mr. Bennington, be taken on the average, at not less than 1.60 times the assessed valuation. In the case of the land owned by the Coney Island & Brooklyn Terminal Company, 17 which is a business corporation and not a railroad company, the land is believed by the Company to be saleable at more than double the assessed valuation. That these multipliers are conservative is proved by a detailed signed statement of actual purchases of some 200 parcels of land prepared by Mr. Bennington, dated July 26, 1922. These figures of 1.60 times the assessed valuation should be used in place of the figures given in Report which are therein stated to be "Market value as of June 30, 1921, determined by expert real estate appraisers; this market value was held to apply to both the original cost and the costs to reproduce." The Report does not even include the necessarily incurred costs incidental to the acquisition of the land and right of way, nor the costs such as interest and taxes, of carrying the investment in land and right of way during construction. This land must, in most cases, be acquired well in advance of the starting of construction. Interest must be thereafter paid on its cost, and taxes are thereafter payable on such property and must be paid if the Tax Department does its duty. As testified, in this connection by Mr. Bennington 18 in the Consolidated and Brooklyn Rapid Transit hearings, taxes have been levied and paid on land and on uncompleted structures during construction and prior to its being put into operation. The present companies report such land and structures to State Tax Commission when purchased and a copy goes to the local Tax authorities. The Report aims to justify the inadequate prices it uses for land and right of way estimates by stating, "the market value is a price to the purchaser, and any such charges attach to the previous owner."

(12) The Report states that Easements, Private Right of Way, Consents and Damages should be limited in all valuations to the original cost shown on the books, and that they have not enhanced by land value increases or rental value increases. This statement is incorrect as would be soon discovered by any company now attempting to obtain such property and rights or to meet the damage claims that would develop. Even after making this reference to and statement regarding such items the Report omits to value any of them except Private Right of Way.

- (13) The Report includes nothing for the value of many miles of irrevocable and perpetual easements, i. e., the value of the perpetual rights to construct and operate through, on and over the land occupied by the tracks. These rights were obtained in Brooklyn from the original private owners of the property in the form of rights of way in locations that became streets when officially opened as such subsequent to the obtaining of these company easements. Such perpetual rights could not now be procured in any reconstruction program and are of great value. 19

19 (14) The Report does not include valuation of physical property development costs, nor for the cost of experimentation or changes. These costs include street work, grade changes and other work done at the instance of public authorities, or for other causes, of which work no physical evidence now exists and which therefore cannot be ascertained from an inventory of the property taken at this time, nor from any other sources except company or personal records or the recollection of those who were engaged on such work.

(15) The Report does not include any valuation for expenditures made to create and develop the business. It deals only with the costs of reconstructing the physical property, whereas the company property which is owned and is proposed to be purchased comprises both its physical property and its attached business. 20 Any estimates of cost of reconstruction must assume that the physical property is wiped out and then reconstructed. In addition to such expenditures for physical property other large expenditures would immediately have to be made to reconstruct or recreate the existing competitive business.

(16) The Report does not include any valuation for power or the advertising contracts. It makes no estimates of valuation for the contracts which exist in the form of franchises (or franchise value). This means the present worth of future earnings under existing franchise conditions and under contracts wherein the companies have a perpetual franchise for the greater part of the mileage of their lines.

(17) As to the methods used in making its valuations, the Report has assumed that only a portion of the work would be reconstructed by the contract method. This assumption is contrary to customary practice. If the work were so rebuilt, as contemplated in the Report, the Company Costs, including its administrative and engineering costs, would be greater by enough to offset the saving in Job Overheads and contractor's services which the Report erroneously assumes could so be effected.

21 (18) On March 30, 1921, the present so-called Transit Law (Chap. 134), became a law and on April 27, 1921, the Amendment thereto (Chap. 335), became a law. The Act requires, by its Section 106, that "the Commission shall cause a valuation to be made of the property, other than the franchises or going value, necessarily used in public service of the railroads it proposes to include therein." The Amendment states, with reference to this valuation, "but such valuation shall not in any case exceed the fair reconstruction cost of the property less depreciation." The Valuation Report states that in its Report the term "reconstruction cost," was held to be synonymous with "reproduction cost" as employed and understood in valuation work. This law does not define the term "reconstruction cost,"—which can mean only the reconstruction, recreation or rebuilding new of these identical properties at current prices, according to the specifications and quantities of the existing properties, using reasonable diligence and methods and period of construction and assuming the non-existence or wiping out of such properties.

In making such determinations or estimates of the fair reconstruction cost new, the governing conditions must be those existing at the date when the law, passed March 30, 1921, took effect, which was immediately. Reference should also be had to important pertinent facts involved in the construction history of

the property, whenever the making of a rational reconstruction cost estimate 22 would so require in order properly to consider all factors. Full knowledge of the conditions actually met in the construction of the properties being valued is important in ascertaining quantities and in estimating omissions, contingencies and other costs. Such costs must include the reconstruction costs of recreating company surveys, maps, profiles, plans, specifications and other records and of assembling the facts and data used in their making.

The Report states that the inventories were, in all cases, made as of June 30, 1921, and that the 1921 valuation of physical property was based on the Cost to Reproduce New at prices and conditions existing in the first six months of 1921. The date of the Act, March 30, 1921, falls in the middle of such six months period immediately preceding the completion of the inventory. On its own statement, the Report should therefore have used prices current at the end of March, 1921, as I have done in my review thereof.

The Act and the Amendment each require that the valuation include the property "necessarily used in the public service." This term, "*necessarily used in the public service*" seems to be synonymous with the usual term "*used or 23 useful property*." The Report, however, states that "the inventory for the valuation, was set up by segregating the property into *operative and non-operative property*," the latter including principally buildings and power plant and substation equipment retained by the companies but not utilized in the operation of the railroad." However, the Report gives no rules for the segregation of property into that which is valued and that which is not valued. It is therefore difficult to understand and to follow some of its proposed classifications. For instance, the Report includes under "*Property useful for operation by companies*" both "property used for operation" and "property not used for operation;" and Report includes under "*Non-operating Property*" the "property not used in operation by companies." This is very confusing. Considerable land is listed under "property" not used in operation. The Report lists as non-operating property, some property that is used and is necessary for good public service. An instance is the Power Plant of the Brooklyn City Railroad, now used for heating car shops, but listed under Brooklyn Rapid Transit non-operating property.

Property, whether or not utilized, is distinctly *useful* property in many cases.

Used or useful property must, broadly speaking, include the following 24 property; property regularly in service in the course of operation; property not regularly in service but which is needed or used at intervals owing to wide range in service demand; property which ordinary prudence and good management deem essential as reserve capacity and as a safety measure to protect the service; property which reasonable business judgment deems it necessary to acquire in advance of immediate needs because of the greater economy of present acquirement or for other reasons affecting the ultimate good of the service; and other property and property rights devoted to public use.

In this same connection the Report, under caption "Conclusions and Recommendations" states, "it is our opinion that there should be included in such valuation only the property now existent and suited for operation." Whether the owners would be willing to dispose of less than all of their proper-

- 24 ties is a matter they must determine. It seems, however, that any such partial or limited valuation should equal the acceptable valuation of the entire property in each case, less the salvage obtainable by the owner in disposing elsewhere of the property not included in such valuation and not taken over, i. e., that a  
25 purchaser buying only selected portions of the properties should expect to pay therefor an amount equal to the value of the entire property less the market value of that not taken.

(20) Inventories of the character below listed were supplied by or on behalf of the Brooklyn Surface Roads to the Transit Commission Bureau of Valuation:

- (a) Inventories supplied by me during the summer and fall of 1921 of the Brooklyn City Railroad Company property covering "the property designated by Brooklyn Heights Railroad as being the property of Brooklyn City Railroad October 19, 1919, now being investigated and checked." These inventories comprised a number of volumes of character indicated by their contents which included: track, special track work, paving, land, buildings, miscellaneous structures, shop equipment and machine tools, transmission and distribution systems and substations, photographs of types of cars stating the number of each type owned, maps of feeder and trolley, maps of entire underground feeder system, map of high tension feeder system, inventory of high tension underground cable system, substation drawings, inventory of underground trolley feeders and returns, preliminary inventory of tangent track, track bonds, track inventory, overhead special work and bondings, overhead construction, special work, consents and damages (being three sheets of street locations of lines in which fee is in abutting property and in the city, divided between business and residence frontage), rights of way easements, miscellaneous equipment, improvements at end of Lutheran line; furniture and fixtures, and miscellaneous equipment.
- (b) Inventories of generally similar character and scope supplied by the Brooklyn Rapid Transit Company office during the summer and fall of 1921 of the other Brooklyn Surface Roads.

## PART II.

### COMMENTS ON THE ALLOWANCES FOR CONSTRUCTION OVERHEADS AND COMPANY OVERHEADS AND OTHER COMPANY COSTS FOR ALL PROPERTIES.

GENERAL METHODS, PROCEDURE AND NOMENCLATURE USED  
IN VALUATION REPORT.

The general methods and procedure followed in the Valuation Report are outlined, and the nomenclature therein used is explained in the three following paragraphs:

1. "CONTRACT COST."—As stated in its Part 3 or statistical section, which gives unit cost data, etc., the Report adds, but only in the case of some items (as is explained in paragraph "Unit Costs" of the transmittal letter) to the "Bare Cost" (which is therein stated to include all charges for material, labor and foremen) the amount of 6 per cent for "Job Overhead,"—making what is therein called "Construction Cost;" to this it adds, but only in the case of some items, the amount of 10 per cent for "Contractor's Services,"—making what is therein called "Contract Cost." However, in making up the estimates of "Contract Cost" for Electrical and Mechanical Equipment and Rolling Stock, the Report adds no overhead but uses the manufacturer's bare selling price to the Company, stating that this price corresponds to the above-mentioned "Contract Cost" (which, in the case of Track and Structures, is the amount paid to the Contractor for the finished work, ready to operate). In other words, this means that in the Report no allowances for "Job Overhead" or "Contractor's Services" are included in the Electrical and Mechanical equipment and Rolling Stock.

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2. The Report then adds to "Contract Cost" (as made up from the sum of the foregoing items) certain estimated overhead and other charges to the company; it terms these "Company Overhead Charges" and divides them into "Expenses during Development" and "Expenses during Construction."

3. "COST TO REPRODUCE" as termed in the Report is made up from the total of the estimated costs mentioned in 1 and 2, plus the Report valuation for Land, Right of Way and Materials and Supplies—in which last three items the Report includes no overhead or carrying costs.

In the pages hereof immediately following I give my opinions on these above-named costs in a statement, which applies to all the Brooklyn Surface Railroads, regarding the overheads and other additional costs. Thereafter I give in separate statements for each Company, the changes which should be made in items and costs of valuations given in the Valuation Report for 1921 Reconstruction Cost.

29 ANALYSIS OF AND CONCLUSIONS RESPECTING ALLOWANCES FOR OVERHEAD AND OTHER ADDITIONAL COSTS ENTERING INTO RECONSTRUCTION COST—OR “COST TO REPRODUCE” AS TERMED IN VALUATION REPORT.

*Company Overheads:*

A company or organization reconstructing the Brooklyn Surface Railroads in 1921, would have had to pay costs for Company Overheads in excess of the percentages and amounts allowed in the Valuation Report of February 15, 1922. Some of these costs would be incurred in connection with expenditures necessarily made prior to construction. The reasons therefor are later given in detail.

*Construction Overheads:*

A similar statement also applies to the Construction Overheads shown in the estimated Contract Costs of the Report, but in this case the extent to which it applies can only be determined by a conference with the Valuation Bureau engineers in order to ascertain what items, what elements of cost and what allowances they included in the Unit Prices of the Report.

*Depreciation of Overheads:*

The Report depreciates the Construction Overheads, and the Company Overheads. The Company overheads should not be depreciated because the creative engineering, legal and administrative work and the expenses of insurance, taxes, interest and cost of money, once made are permanent and will never be duplicated. Some of the Construction Overheads will be duplicated when making renewals and replacements, but this statement does not apply to all of the Construction Overheads or to all of the physical property.

*Composition of Overheads:*

The Report appears to allow Construction Overheads only on Track and Structures, made up of 6 per cent for “Job Overhead” and 10 per cent for “Contractor’s Services” (including therein contractor’s home office overhead and profit). These, combined, amount to 16.6 per cent, which seems entirely inadequate. My practice in such work is to allow at least 12 per cent for Job Overhead and to figure it on *all* (except Rolling Stock, to which I add 3 per cent) instead of on only *a part* of the work. The 12 per cent is made up of 4 per cent for Contractor’s works office costs and 8 per cent for all other items under (a) and (b) of the next following paragraphs. In my opinion this 12 per cent, so figured, should be used in these valuations instead of the 6 per cent as used and figured. The 12 per cent for “Job Overhead” and the 10 per cent for “Contractors’ Services,” combined, amount to 23.2 per cent. It is necessary to make proper allowances for all incidentals, contingencies and omissions. Only by making a study and analysis of unit prices with the Report Engineers can one determine the extent to which needed allowances therefor have been made in the Report unit prices and reach final conclusions regarding the so-called “Contract Cost.” Generally speaking the practice of individual engineers in making up unit costs varies so widely as to what items they include in their “unit costs” and what they include in “job overhead” that only the resultant “contract costs” can properly be compared. Such costs must include all “job overheads” and “contractors’ services.”

“CONTRACT COST” as defined in report must include the following 31 construction costs:

- (a) All items listed in Report as having been included in “Contract Cost.”
- (b) Express, freight, demurrage, telephone, telegraph, storeroom, storage, yard, automobile hire, cartage, rental, job liability insurance, incidentals, extras, omissions, mistakes, changes, corrections, breakage and waste, rehandling, temporary construction and duplication of work, removal of poor work, removal of obstructions or interferences, excess cost of doing work while maintaining operation, idle or overtime labor, power, heating, lighting for night-work, failure of sub-contractors and reletting of work, delays, strikes, accidents, weather damage, disasters, miscarriage of shipments, city inspection and permits, bonds, fees, all other uninsurable costs, injuries and damages to persons and property, operation of job shops, construction plant maintenance, trial operation, contractors’ works office costs and remuneration for contractors’ services including therein his home office overhead costs.

“COST TO REPRODUCE” as defined in Report must include the following 32 company costs:

- (a) *Company’s Overhead Costs During Construction:*  
Interest during construction on all expenditures made, including interest on land and right of way, taxes, engineering, administrative, legal, etc., costs.  
Taxes during construction, including taxes on land and right of way and on structures, if payable.  
Engineering, design and inspection costs.  
Administrative, executive, legal and office costs.  
Fire insurance.
- (b) *Company’s Costs Prior to Construction: \**  
Promoter’s remuneration for services and expenses—including franchise and permit costs and fees paid therefor.  
Administrative, legal and engineering costs.  
Interest on expenditures made, including interest on land and right of way, prior to construction.  
Taxes on land and right of way and on structures, if payable. (See Note on following page.)\*
- (c) *Cost of procuring money.*
- (d) *Company’s Costs Subsequent to Construction:*  
Working capital—including materials and supplies, and cash if valued.

- 32 Physical property development costs; investment, pending  
amortization from earnings, in superseded, abandoned  
33 or unused property (or sometimes in property now non-  
existent) when an unavoidable cost of the present com-  
pleted and improved property though not appearing in  
inventory.

Costs to create the business.

Value of Contracts for power, advertising, etc.

*Note applicable to Groups (a) and (b) of page 32:*

All Interest and Taxes on Land and Right of Way, and Interest on Consents and Damages incurred prior to construction are, for convenience of presentation in the tables of Part III, listed therein with other Interest and Taxes incurred during construction. The pre-construction period is taken at one year, and its Interest and Taxes above mentioned are included at their respective annual rates for six months *i. e.*, for one-half of the pre-construction period. The six per cent. named on page 41 is the allowance for the residual items of Group (b), and is used in the tables of Part III.

The following comments are submitted on the four foregoing summaries of the company costs designated (a), (b), (c) and (d).

## COMMENTS ON GROUP (a) OR COMPANY'S OVERHEAD COSTS 34 DURING CONSTRUCTION.

### *Interest during Construction:*

Interest must be paid on all money spent prior to starting of regular operations, and such payments are chargeable to Construction. The whole amount of money must often be raised before the work can be commenced in order to insure against suspension of construction operations from lack of funds. Even under the most favorable conditions all the money must be raised considerably in advance of its expenditure.

The total Interest Cost differs from many other overhead costs in that the rate of interest payable depends upon financial, business and money market conditions, the nature of the enterprise and the security of the investment. The total amount of interest payable depends upon the interest period, *i. e.*, either upon the average construction period or the average period between the raising of the money and the starting of operation.

The interest rate will be at least the prevailing rate and will generally be more than the rate required when the company is in successful operation. In determining the proper interest rate it must be remembered that all loaned capital participates during construction in the risks of the enterprise, and must be figured at a higher rate than on loans to a well secured property having established credit and ample earnings. Any organization constructing or reconstructing the Brooklyn Surface Roads would have had to pay for construction money an annual interest rate of at least 8 per cent, because a lender advancing money for construction would consider the hazards and risks of a loan on an unbuilt project. For this reason he would not lend money for less than 8 per cent flat, or at 6 per cent plus a loan commission ranging from 2 per cent upwards. Such loan commissions in 1921 were generally at least double this figure, which would make the actual interest rate well over 8 per cent, which is the rate I use herein.

It should be noted that the subscribing underwriters do not usually put up all the money, but commonly secure most of it by a loan, backed by the subscriber's credit and his deposited securities. The method is that subscriptions are secured equal to the estimated overall cost, the subscribers putting up as collateral for their loan the bonds allotted to them (usually at a discount) with a trust company or banker which agrees to advance to the company, on loan, most of the amount of the subscriptions, the balance of the cash needed being lent direct by the subscribers themselves. The cash is then advanced to the company either in one block or from time to time as needed for construction expenditures, full legal interest being charged, plus a substantial commission, for a loan for a given period. If the loan is not paid off at maturity an additional commission is usually charged for renewing it for an additional period. Meanwhile efforts are made to sell the bonds to the investing public through banking houses and their distributing houses. If a good market exists and the bonds are sold, the net proceeds are deposited with the lending company

36 and credited against the loan. If the bond market is poor and the bonds are not readily sold the subscribers have to pay off the loan themselves and take the bonds over when the loan finally matures. As frequently some subscribers are unable to do this their loans have to be closed out, in some cases the lender being obliged to take over and carry such unsaleable collateral. For these reasons interest rates on loans made to construction projects much exceed those made on similar stock exchange collateral. In cases where the securities are sold direct by the company to a banker and are not used as collateral to a loan, the interest rate is apt to be even higher, because the investing public will not buy speculative investments except at a high rate of return, commensurate with the risk. In this case the interest rate equals the amount paid out per annum in bond coupons divided by the amount of net cash realized from the sale.

The interest period must be computed from the time the money is raised until construction is completed and operation begins. The least average interest period (at the full annual interest rate) would be  $2\frac{1}{2}$  years on Land, Right of Way, and Damages (as these must be acquired on the average fully six months ahead of starting construction); three months on Rolling Stock, and one year on the other property. To attain this low interest cost it must be assumed 37 that operation is started on each division of the road as soon as the construction thereof is finished; and that the funds are raised only as fast as required to pay the bills and payrolls. The latter assumption is seldom realized as usually most or all of the money must be on hand or assured in advance of starting construction, so as to be available when contracts are let and work is commenced, for banking houses will not agree in advance to continue to provide money by taking and selling securities under future unknown market conditions. In this case any unexpended balance is carried in bank and normally returns about one-half of the interest rate paid therefor. The actual interest cost will consequently lie between the interest cost computed on the last named basis and the interest cost computed on the basis of interest starting only as the money is spent. In many cases, as when securities are sold to provide all funds, interest must be compounded. It is herein figured by me only as simple interest at 8 per cent per annum.

#### *Taxes during Construction:*

Taxes are payable on land and right of way after its acquisition. They are also payable on building structures. Taxes should be figured at the 1921 Brooklyn tax rate of 2.8 per cent, which I use herein, and for the full two-year construction period, plus six months, making a total tax period of  $2\frac{1}{2}$  years because Land and Right of Way must be acquired, on the average, fully six 38 months ahead of starting. Additional taxes would be payable on individual structures from date of completion to starting of operation and would have to be paid at the same tax rate and for the tax periods involved. As this statement has been questioned, it is believed that the testimony of a representative of the New York City Tax Department would go far toward clearing up the facts in the matter of taxes payable under the tax law.

#### *Engineering, Design and Inspection Costs:*

These costs represent the expenditures for a suitable designing and drafting organization, and forces of field engineers and inspectors, and all expenses in

connection therewith in the design, location and construction of the property,— 38 including the furnishing of plans, specifications and supervision of the contractor and his organization, in short, all engineering work and services not included in construction. The expenses under this general head during the construction period would range between 3 per cent and 4 per cent of the full construction cost including therein the job overhead and the payment for contractors' services. I use 3 per cent herein.

#### *Administrative, Executive, Legal and Office Costs:*

These costs represent expenditures for suitable executives, company staff and office forces, including the requisite legal department. This company organization would carry the project through to completion, controlling and directing the performance of all purchases and construction work not included in the contractor's work; dealing with local authorities; handling legal and financial and other negotiations in connection with the prosecution of the construction work; and caring for all the interests of the company and its enterprise up to the completion of construction and the turning over of the completed system to the operating organization. The expense under this general head during the construction period would range from 2 per cent to 3 per cent of the fair construction cost including therein the job overhead and the contractors' services. I use 2 per cent herein. 39

#### *Fire Insurance:*

Business prudence would necessitate the carrying of fire insurance on a number of construction items including buildings, power plant and substation equipment, rolling stock and possibly others. The rate for such insurance would be not less than 0.4 per cent per year. It would be payable for at least one year on the insurable portions of buildings above foundations, and power plants and substation equipment, and for at least three months on rolling stock. Computation shows that this item would amount to at least .05 per cent of the Contract cost (exclusive of land and right of way), which figure I have used herein.

40 COMMENTS ON GROUP (b) OR COMPANY'S COSTS PRIOR TO CONSTRUCTION.

The Report includes nothing for these promotion costs, which are always incurred. They include payment, customarily made in cash or securities, for the services and disbursements of those who conceived, created, organized and brought about the construction of the enterprise; found and interested the people who agreed to supply the money; and promoted its interests to the point where its construction was actually undertaken. They also include preliminary expenses of the company, before construction commences, for necessary legal, administrative and engineering costs; and include the carrying costs of interest and taxes until construction begins. The first item includes expenses incurred and a reasonable profit payable to the promoters upon their ability to conceive and initiate the execution of the project. It makes no difference whether these, if reasonable, are made in cash or in securities. The work paid for includes the organization and development of the plan and the interesting of the public, bankers and others having capital to supply. Such payments are unavoidable if this creative work is to be done and the community served, otherwise progress and invention will stop. The patent law recognizes this by assuring compensation to the inventor and offering him the prospects of reward for creative work.

- 41 These 1921 combined pre-construction costs would, for the reasons below given, undoubtedly run from 5 per cent to 10 per cent of the re-construction cost of these roads. In amount they would total not less than 6 per cent of the Contract Cost plus the pre-construction cost of Interest on Land and Right of Way, Consents and Damages and of Taxes on Land and Right of Way. I use such figures herein.

To explain further these costs listed under Group (b) I insert the following pertinent references:

According to the Public Service Commission of New York, First District, in opinion and order dated June 23, 1911, in Queensborough Gas and Electric case—"There are certain expenses connected with every undertaking which are not represented by physical property but which must be incurred before the plant is operated. These relate to the initial promotion of the scheme and the organization of the Company. Investors must be interested, lawyers and engineers must be consulted, and franchises and permits must be secured. \* \* \* The foregoing items of valuation do not \* \* \* make any allowance for franchise values nor for a considerable amount of development expense, as for example, reasonable profits of promoting the enterprise, preliminary legal expenses of organization and other legal preliminaries, cost of complying with various preliminary requirements of law. All of these items would be absolutely essential disbursements in the reproduction of any existing railroad."

- 42 Similarly the Second District, New York Commission, in decision March 30, 1908, in the Rochester, Corning, Elmira Traction case allows "for the services of those engaged in organizing the enterprise another 5 per cent upon the estimated cost." Similarly the Valuation Engineers of the New York

First District Commission in Coney Island and Brooklyn Company case 1134, 42 Sept. 15, 1909, testified that there should be included, in addition to the physical property, legal expenses in connection with preliminary promotion, organization and incorporation of company; technical expenses in connection with preliminary survey and location of line, estimates of cost, estimate of earnings, preparation of prospectus, maps for property owners' consents and consents of local authorities; promotion expenses; cost of organization prior to actual construction; profits of promotion, including original organization and consolidation, 5 per cent to 10 per cent, etc.

The Wisconsin Commission, in the Antigo Water Case, Aug. 3, 1909, states: "Owners and promoters are undoubtedly as much entitled to fair compensation for legitimate and valuable services as anyone else."

The Railroad Securities Commission, in its 1911 Report to the President, states:

"The promoters, using the term in a broad sense, may be divided into two classes; constructors who build a road whose future is uncertain, in the expectation of selling the stock for more than it cost them; and financiers who induce the public to buy the bonds of such roads. Both of these classes, if they do this work honestly, render useful services to the public. The constructor gives our undeveloped districts the benefit of new roads, which they would not get without his intervention."

43 COMMENTS ON GROUP (c) COST OF PROCURING MONEY.

The cost of financing or of securing construction money has nothing to do with interest. It is under-estimated, at least for 1921, in the Report, which uses  $3\frac{1}{2}$  per cent for the original cost valuation and 5 per cent for the 1910-1914 and 1921 reconstruction cost valuations. Such allowance must cover all brokerage and underwriting charges, the services and expenses of banking houses and of their security distributing houses, and the expenses of the company incurred in this connection, i. e., it must pay the underwriter, the banker purchaser and the distributors of the securities sold. In amount it is equal to the difference between the amount the investors pay for the securities and the net amount of cash received therefrom by the company after paying its own share of these costs, which include the printing of securities, preparation and filing of mortgages, stock tax, compensation of trustees, and trustees' counsel, etc. The Report appears to be in error in assuming that the money would all be raised by the sale of bonds or prior lien securities, as at least one-third would probably have to be raised by the sale of junior securities. It is my opinion, based on my experience and that of my firm and of corporations with which I am connected, that the actual cost of public utility money raised by the sale of bonds of profitable going companies would run from 5 per cent to 6 per cent, while the like cost of that raised by the sale of junior securities, 44 would range from 8 per cent upwards. The average cost of so procuring money would certainly exceed 6 per cent and would probably be 7 per cent. These percentages are lower than would be asked for street railway securities, and especially for those of a construction enterprise. They also assume the existence of more favorable market conditions, company credit and city authorities' attitude than prevailed in 1921 or than now prevail. Under 1921 conditions the cost of this money would almost necessarily have been more than 7 per cent, including both "bankers' spread" and costs to company therefor. It might not have been securable at 10 per cent or 15 per cent, for the investing public which constitutes the only continuous source of money supply now considers the proven risks of investing in traction enterprises and believes that it has no assurance of receiving fixed and permanent returns on investments made in street railway securities. They consequently pass them over in favor of more reliable and productive investment opportunities; this statement is especially applicable to New York City surface transportation systems. These are regulated as to earnings but are not protected therein. The testimony of bankers should be helpful in ascertaining the risks they take in buying such securities and the facts as to the percentage which must be taken for the cost of money. I am sure that 6 per cent of the total of all other costs and overheads is the least percentage that can properly be figured and have used it in my estimates. The brokerage and other like company cost items entering into the cost of procuring construction money would have to be paid when construction begins.

COMMENTS ON GROUP (d): COMPANY'S COSTS SUBSEQUENT 45  
TO CONSTRUCTION.

*Working Capital:*

The Report allows for and includes floating capital as determined by inventory of Materials and Supplies, but includes no allowance for cash working capital. I have adhered to the same procedure.

*Physical Property Development Costs:*

The Report does not allow for physical property development costs or for cost of experimentation or changes. These costs include expenditures for street work, grade changes and other work done at the instance of public authorities, or for other causes, of which work no physical evidence now exists and which therefore cannot be ascertained from an inventory of the property taken at this time nor from other sources except company or personal records or the recollections of those who were engaged on such work.

*Costs to Create the Business:*

The Report allows nothing for expenditures made to create and develop the business. It deals only with the costs of reconstructing the physical property, whereas, the company property owned and proposed to be purchased comprises both its physical property and its attached business. The estimates of cost of reconstruction assumes that the physical property is wiped out and then reconstructed. In addition to such costs, other large expenditures would immediately have to follow to reconstruct or recreate the existing competitive business.

*Value of Contracts for Power, Advertising, etc.:*

The Report includes nothing for the value of the power or the advertising contracts. These are in a measure a corollary of operation and call for consideration; they might be dealt with in Earnings Valuation. The Report gives no estimates of valuation for the existing contracts in the form of franchises (or franchise value), which term is assumed to mean the present worth of future earnings under existing conditions and under contracts wherein the companies have a perpetual franchise for the greater part of the mileage of their lines.

PART III.

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REVISION OF VALUATION FINDINGS OF THE  
VALUATION BUREAU FOR 1921 RECON-  
STRUCTION COST NEW.

THE NASSAU ELECTRIC RAILROAD COMPANY.  
THE CONEY ISLAND AND BROOKLYN RAILROAD COMPANY.  
BROOKLYN, QUEENS COUNTY & SUBURBAN RAILROAD  
COMPANY.  
SOUTH BROOKLYN RAILWAY COMPANY AND LESSOR  
COMPANIES.  
THE BROOKLYN HEIGHTS RAILROAD COMPANY.  
CONEY ISLAND AND GRAVESEND RAILWAY COMPANY.  
THE BROOKLYN CITY RAILROAD COMPANY.

### PART III.

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#### REVISION OF VALUATION FINDINGS OF THE VALUATION BUREAU FOR 1921 RECONSTRUCTION COST NEW.

Herein are given statements applying to the valuations of the property of each of the Street Surface Railroads of Brooklyn.

In these statements the Valuation Bureau Report Inventory, with 1921 prices undepreciated, is used as a basis and the method of analysis set forth in the foregoing sections of this Review is applied thereto.

For each of the Companies separate statements in tabular form are herein given as follows:

##### *Statement 1:*

Comprises Tables I, II and III which contain summaries of the values obtained by using the Inventory and Unit Prices of the Valuation Report, except as otherwise stated. Additional Construction Overheads are then applied thereto in order to arrive at a revised "Contract Cost." To this revised Contract Cost are then applied revised "Overhead Charges to the Company" thus reaching a revised "Reconstruction Cost New."

##### *Statement 2:*

Shows details of the computation of the revised overhead charges to the Company, based upon the revised Contract Cost of the property classified in the Valuation Report as "Operating Property." See Table I of Statement 1.

##### *Statement 3:*

Gives the computation of the revised "Overhead Charges to the Company" figured on the Contract Cost of the property classified in the Valuation Report as "Non-operating Property." See Table II of Statement 1.

##### *Statement 4:*

Shows the Shortages in the Valuation Bureau Inventory. See Table III of Statement 1.

##### *Statement 5:*

Gives the computation of Overhead Charges to the Company based upon the Contract Cost of the Shortages shown in Statement 4. See Table III of Statement 1.

The following summary gives the results of these revisions of the Valuation Report figures including therein all property, both operating and non-operating, as shown on Statement 1 for each Company:

The Nassau Electric Railroad Company.....	\$34,318,249	49
The Coney Island and Brooklyn Railroad Company.....	16,843,385	
Brooklyn, Queens County & Suburban Railroad Company.....	14,316,426	
South Brooklyn Railway Company and Lessor Companies.....	14,327,009	
The Brooklyn Heights Railroad Company.....	2,183,336	
Coney Island & Gravesend Railway Company.....	1,227,581	
The Brooklyn City Railroad Company.....	60,847,401	

## EXPLANATION OF STATEMENTS.

## Statement I.

TABLE I of this Statement gives the property classified in the Transit Commission Valuation Report as "Operating Property 1921 Prices Undepreciated."

Column (1) gives the Valuation Bureau findings.

Column (2) shows the multipliers applied to Column (1) based on the increased percentages for Construction Overhead as set forth in detail in the body of the Review. For example, under "Tracks and Structures" the denominator of the fraction 116.6 is the cumulative Construction Overhead used by the Valuation Report representing 6 per cent for Job Overhead and 10 per cent for Contractors' Services. The numerator of this fraction 123.2, is the cumulative Construction Overhead as revised, representing 12 per cent for Job Overhead, omissions, etc., and 10 per cent for Contractors' Services. The fraction itself, expressed decimally, is 1.0566. Under Electrical and Mechanical Equipment, the denominator 100 signifies that the Valuation Bureau used no construction overhead on these items, whereas the revision shows 23.2 per cent, i. e., the same as for "Track and Structures." Under "Rolling Stock" the Valuation Bureau used no Construction Overhead, whereas 3 per cent is used in the revision thereof.

Column (3) down to "Contract Cost" shows the result of applying revised Construction Overheads to the items of Column (1). Below "Contract Cost" are given the "Overhead Charges to the Company," of which the detail is shown in Statement II; also Materials and Supplies and the revised valuation of Land and Right of Way.

51 TABLE II of Statement I shows the property classified in Valuation Report as "Non-Operating Property 1921 Prices Undepreciated."

Column (1) gives the values as set up in the Valuation Report.

Column (2) contains the revised Overhead Percentages explained under Table I.

Column (3) down to "Contract Cost," gives the result of applying the revised Construction Overheads to the items of Column (1). Below "Contract Cost" are given the Overhead Charges to the Company, as set forth in detail in Statement III.

TABLE III of Statement I gives the Shortages in Valuation Report Inventory, stating shortages in quantity and using the Valuation Report prices for the same quantities, except where otherwise stated. The details of these items (as shown in Statement IV) listed below the caption "Contract Cost" are given in the "Overhead Charges to the Company" computed on such Shortages in Inventory.

## Statement II.

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Herein are stated the details of computations of the "Overhead Charges to the Company" as contained in Column (3) of Table I of Statement I.

## Statement III.

52

Herein are stated the details of computations of "Overhead Charges to the Company" as contained in Column (3) of Table II of Statement I.

## Statement IV.

Herein are stated the details of Table III of Statement I down to "Contract Cost" and the details of the Shortages in Inventory. In this compilation the Valuation Report Inventory is taken as a basis for the various items of property, and compared with the Surface Line Company's Inventory and the shortage in quantity is noted. To this shortage in quantity is then applied the average prices used in the Valuation Report, thus obtaining the "Contract Cost." To the resulting values are added revised "Construction Overheads" as set forth in Column (2) of Statement I. In items of property wherein the Valuation Report gives no quantities, only the shortages in value are shown. No "Construction Overheads" is applied to these shortages in value.

## Statement V.

53

This gives the details of the computation of the "Overhead Charges to the Company," based upon the shortages in value stated in Statement IV.

## SUMMARY TABLE OF OMISSIONS OR SHORTAGES IN VALUATION REPORT.

A Table summarizing in part the Omissions or Shortages in the Valuation Report is annexed hereto, immediately following Statements I to V of the Brooklyn City Railroad Company. This summarizes the Omissions and/or Shortages listed in the foregoing tables. It should however be noted that Easements and Cuts and/or Fills have not been included in the List of Shortages in this Review.

In the case of the Brooklyn Surface Roads the unusual condition exists that in a great number of streets where car lines operate, the abutting property owners hold the fee in the street. This condition obtains in practically all streets that were officially opened before the year 1898. In streets opened subsequent to that date the fee, in many instances is in the City, subject to the rights of the railway company where it secured an easement from the original property owners before official opening of the street was made.

For the purposes of this Review a division has been made between the cost of Consents and the expenditures for Damages.

Consents of the abutting property owners must be secured, in all cases, if a street railway company wishes to construct a railway. In case of the frontage whose title goes to the center of the street, it must secure from the property owners the right to burden their fee with the operation of the street railway. This condition has resulted, in certain instances, in materially larger expenditures in order to secure the rights to operate the street railway than is ordinarily the case where the streets are public property held in fee by the city. In case a street is held in fee by the city it is necessary for the company to secure a franchise from the city in addition to so securing the consents from the property owners. Unquestionably in the reconstruction of the Brooklyn Surface Lines the costs of Consents and Damages would be extremely large.

The cost of obtaining Consents has been applied to the entire surface line mileage not owned in fee by the railroad companies. The unit cost per mile of street has been computed on a record of the expenditures made in the case of the Nassau Electric Railroad in obtaining Consents of property owners in 1907 on Livingston Street and Lafayette Avenue. This expense covered the cost of salaries and expenses of canvassers, recording Consents, tax maps, filing of certificate for extension, money paid to property owners for Consents, and expenses in connection with the advertising and the printing of the application for franchise. On account of the subsequent increases in costs in salaries, printing, property values and all of these elements which enter into the securing of such Consents, that similar costs to-day would be from 50 per cent to 100 per cent above the costs in 1907; however, as a basis of determining the Costs of Consents, only the actual money paid in the Livingston Street and Lafayette Avenue case was taken, which was at the rate of \$3,460 per mile.

Damages have been computed for the street mileage in which the fee ownership of the street does not lie in the city. In this case the fee ownership of the street originally lay in the owners of the abutting property and in many cases still lies in the present owners of the abutting property. Due to this ownership of the land in the street by the abutting property owners, the companies had to pay comparatively large Damages to the abutting property owners in certain cases before they were allowed to proceed with the construction of the surface lines. As a basis for estimating the Damages that would have to be paid in the reconstruction of the properties it has been assumed;—first, that only nominal Damages would be paid in the case of business property, these nominal damages having been taken on a basis of a payment of \$100 per lot (taking a 20 foot frontage as a lot) for each case where Damages were claimed and sustained; and, second, that such Damages would be sustained in case of 10 per cent of the business frontage.

In case of such Damages applying to residence frontage the experience in the case of Union Street residence frontage has been taken as a basis. In Union Street, with a total street length of slightly over two miles, the total Damages paid amounted to nearly \$40,000 of which nearly \$3,000 was paid to owners of business frontage, leaving slightly over \$37,000 paid to owners of residence frontage. Practically 90 per cent of this street, or 1.94 miles, is residence frontage. Distributing the entire amount of Damages paid on account of residence frontage over the total residence mileage of 1.94 miles shows a cost per mile for Damages of \$19,100. For the purpose of estimating the total cost of Damages to residence property the unit cost of \$19,000 per mile or \$3.60 per street foot has been applied to the residence mileage in order to obtain cost of the Damages on residence frontage. The cost of Damages to the small mileage of vacant frontage in residence districts has been figured by using 50 per cent of the Damage cost per mile on residence frontage or at the rate of \$9,500 per mile.

To determine which of the car line streets are owned in fee by the property owners, and which by the City, the entire surface line mileage was examined and classified, and the unit cost of Damages on business and residence frontage per mile of street has been applied only to those streets in which rights to operate would have to be secured from property owners having the fee in the street. All other streets have been classified as owned in fee by the City, including streets where the companies have secured an easement and regardless of the fact that the fee in the street has now been acquired by the City.

Easements. The value of the Easements is still to be determined and has not been attempted in this Review. As these easements were secured many years before these streets were officially opened, the perpetual rights to operate thereon have, without doubt, a greater value than the 10 year to 25 year franchises that would now have to be obtained on these streets from the Municipal authorities.

The value is still to be determined for the right to operate on streets held in fee by the City unencumbered by Surface Line Easements. The general procedure in applying for the right to operate in these streets is to secure a Franchise from the City for a period of from 10 to 25 years, and also to secure the Consents of at least 50 per cent of the abutting property values. The Companies must also deposit, with the proper authorities, securities for the faithful performance of their contract. This ties up capital used for that purpose which should be listed in the valuations. It is not, however, included in the items named in this Review.

NOTE:—The numbers placed on the outer margins of the pages hereof are the page numbers of the typewritten copy of the Review (filed as Exhibit 269) and of Supplement Number One (filed as Exhibit 270) at the hearings of the Transit Commission. Reference to such page numbers is made in the record of the testimony given at such hearings.

THE NASSAU ELECTRIC RAILROAD COMPANY.

**STATEMENT I.**  
**THE NASSAU ELECTRIC RAILROAD COMPANY.**

ITEMS	TABLE I				TABLE II				TABLE III	
	Classified in T. C. Valuation Report as Operating Property 1921 Undepreciated				Classified in T. C. Valuation Report as Non-Operating Property 1921 Undepreciated				Shortages in T. C. Valuation Report as Operating Property 1921 Undepreciated	
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)		
Track and Structures.....	\$1,806,688	123.2	\$12,474,991		\$899,800	123.2	\$739,411	Minus \$102,086		
Electrical and Mechanical.....	1,144,199	116.6			88,443	116.6				
Rolling Stock.....	8,652,800	103	8,912,384			100	108,962	115,549		
Contract Cost.....	\$21,603,687	100						972,432		
Company's Expenses during Construction.....	1,484,600		\$22,797,028		\$788,243		\$848,373	\$886,195		
Company's Expenses Prior to Construction.....	98,700		2,546,008				262,633	468,704		
Insurance.....	1,157,400		1,367,822				80,902	59,172		
Incidentals.....			1,612,740				89,004	189,986		
Materials and Supplies.....					\$69,985	100.3	66,864			
Right of Way.....			325,000			100	12,000	14,000		
Land.....	356,000		426,188		383,955		504,000	871,920		
Consents.....	416,500							217,000		
Damages.....								594,000		
Grand Total.....	\$25,076,887		\$29,074,786		\$1,232,183		\$1,842,476	\$3,400,987		

\* Brokerage at 5% understood to be not included.

**RECAPITULATION**

Table I.....	\$29,074,786
Table II.....	1,842,476
Table III.....	3,400,987
Total.....	<u>\$34,318,249</u>

## STATEMENT II.

THE NASSAU ELECTRIC RAILROAD COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE I.

## EXPENSES DURING CONSTRUCTION:

## INTEREST:

On Land and Right of Way, exclusive of Perpetual Easements:	
\$426,188×8%×2.5 years.....	\$85,238
On Contract Cost, exclusive of Rolling Stock:	
\$13,884,644×8%×1 year.....	1,110,772
On Rolling Stock:	
\$8,912,384×8%× $\frac{1}{2}$ year.....	178,248

SUB-TOTAL OF ABOVE INTEREST ITEMS..... \$1,374,258

On Cost of Procuring Money (i.e. on item termed Brokerage in Valuation Report):	
\$1,612,740×8% for 2 years.....	258,038

TOTAL INTEREST..... \$1,632,296

## TAXES:

On Land and Right of Way:	
\$426,118×2.8%×2.5 years.....	29,833

## ENGINEERING, DESIGN AND INSPECTION COSTS:

On Contract Cost exclusive of Rolling Stock:	
\$13,884,644×3%.....	416,539

## ADMINISTRATION, EXECUTIVE, LEGAL AND OFFICE COSTS:

On Contract Cost:	
\$22,797,028×2%.....	455,941

## INSURANCE:

On Rolling Stock, insurable portion of Buildings and Substation Equipment- equivalent to .05% of Contract Cost:	
\$22,797,028×.05%.....	11,399

TOTAL COMPANY EXPENSES DURING CONSTRUCTION... \$2,546,008

## EXPENSES PRIOR TO CONSTRUCTION:

6% of Contract Cost:	
\$22,797,028×6%.....	1,367,822

## COST OF PROCURING MONEY:

(Termed Brokerage in Valuation Report) for the following Items:

Contract Cost.....	\$22,797,028
Land and Right of Way.....	426,188
Interest Items (except for interest on cost of procuring money).....	1,374,258
Taxes.....	29,833
Engineering, Design & Inspection.....	416,539
Administration, Legal and Office.....	455,941
Insurance.....	11,399
Company costs prior to Construction.....	1,367,822

TOTAL..... \$26,879,008

\$26,879,008×6%.....	1,612,740
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TOTAL COMPANY EXPENSES..... \$5,526,570

## STATEMENT III.

THE NASSAU ELECTRIC RAILROAD COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE II.

Classified in Transit Valuation Report as "Not Used in Operation."

## EXPENSES DURING CONSTRUCTION:

## INTEREST:

On Land and Right of Way, exclusive of Perpetual Easements:	
\$504,000×8%×2 $\frac{1}{2}$ years.....	\$100,800
On Contract Cost, exclusive of Rolling Stock:	
\$848,373×8%×1 year.....	67,870

SUB-TOTAL OF ABOVE INTEREST ITEMS..... \$168,670

On Cost of Procuring Money (i.e. on item termed Brokerage in Valuation Report):	
\$99,004×8%×2 years.....	15,841

TOTAL INTEREST..... \$184,511

## TAXES:

On Land and Right of Way:	
\$504,000×2.8%×2 $\frac{1}{2}$ years.....	35,280

## ENGINEERING, DESIGN AND INSPECTION COSTS:

On Contract Cost, exclusive of Rolling Stock:	
\$848,373×3%.....	25,451

## ADMINISTRATION, EXECUTIVE, LEGAL AND OFFICE COSTS:

On Contract Cost:	
\$848,373×2%.....	16,967

## INSURANCE:

On Insurable portion of Buildings, equivalent to .05% of Contract Cost:	
\$848,373×.05%.....	424

TOTAL COMPANY EXPENSES DURING CONSTRUCTION.. \$202,633

## EXPENSES PRIOR TO CONSTRUCTION:

6% of Contract Cost:	
\$848,373×6%.....	50,902

## COST OF PROCURING MONEY:

(Termed brokerage in Valuation Report) for the following Items:

Contract cost.....	\$848,373
Land and Right of Way.....	504,000
Interest items except for interest on cost of procuring money).....	168,670
Taxes.....	35,280
Engineering, Design and Inspection Costs.....	25,451
Administration, Executive, Legal and Office Costs.....	16,967
Insurance.....	424
Company costs prior to construction.....	50,902

\$1,650,067

\$1,650,067×6%.....	99,004
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TOTAL COMPANY EXPENSES..... \$412,539

## STATEMENT IV.

## THE NASSAU ELECTRIC RAILROAD COMPANY.

Based on Quantity Shortages Only and on Transit Commission Valuation Bureau Prices, Except as Stated.

## GRADING:

## Excavation and Back fill:

T. C. has	338,190 cu. yds.	
should have	356,223 cu. yds.	
Shortage	18,053 cu. yds.	\$46,938
Ballast, Omitted by T. C.		
Shortage	440 cu. yds.	4,400

SHORTAGE.....\$51,338

## RAILS:

T. C. has	22,225 net tons	
should have	22,253 net tons	
Shortage	28 net tons	2,016

## RAIL FASTENINGS:

T. C. has	24,113 Cwt.	
should have	27,490 Cwt.	
Shortage	3,377 Cwt.	16,581

## JOINTS:

T. C. has	33,262 each	
should have	43,123 each	
Shortage	9,861 each	63,702

## SPECIAL WORK:

T. C. has	78,433 lin. ft.	
should be	80,996 lin. ft.	
Shortage	2,437 lin. ft.	23,054

## TRACK LAYING AND SURFACING:

T. C. has	781,476 lin. ft.	
should have	683,912 lin. ft.	
Shortage	2,436 lin. ft.	2,119

## PAVING:

T. C. has	672,001 sq. yds.	
should have	676,794 sq. yds.	
Shortage	4,793 sq. yds.	9,573

(A) \$168,383

## 65 BRIDGES, TRESTLES AND CULVERTS:

Over 95% of this item is the Coney Island 250-ft. Span Steel drawbridge, which cost \$55,000 in 1916, from which it is evident that the total shortage for these items, including track drains, is at least.....\$40,000

## CROSSINGS, FENCES AND SIGNS:

This covers the Church Avenue and Ocean Parkway concrete under crossing, which cost about \$69,000 before the war, from which it is evident that the shortage in this item is at least.....30,000

## BUILDINGS:

T. C. includes the whole of 9th Avenue Car House, of which about  $\frac{1}{2}$  is owned by Prospect Park & Coney Island Railway, and should be transferred to the appraisal of the South Brooklyn Railroad Company which holds title.

No claim as to price, only as to Title. Corresponding average \$350,000 which is deducted below:

## BONDING:

Omitted by T. C. shortage.....\$94,240

## ELECTRIC TRACK SWITCHES:

Omitted by T. C. shortage.....11,151

## ROLLING STOCK:

Extra motors, Trucks, Compressors, Controllers.....\$763,182  
Truck parts, Motor parts, Air Compressor parts, Controller parts,  
Car-body fittings, etc.....209,250

SHORTAGE.....972,432

## SHOP TOOLS:

Shortage.....5,000 66

## MISCELLANEOUS EQUIPMENT:

Wagons, etc., omitted by T. C.....5,458

## CONSENTS:

Omitted by T. C.....217,000

## DAMAGES:

Omitted by T. C.....594,000

TOTAL.....\$2,137,864

Deduct for damage account of Ninth Avenue Car Barn.....350,000

PROPERTY SHORTAGE.....\$1,787,864

LAND AND RIGHT OF WAY SHORTAGE.....871,920

Shortage in construction overhead being 5.66% on (A) \$168,383.....9,531

\$2,669,115

Note.—This shortage does not include the Atlantic Avenue line that is leased to Long Island Railroad Company.

TABLE III.

## SUMMARY OF SHORTAGES:

Track and Structures (with \$350,000 deducted on account of Ninth Ave. Car Barn).....\$162,066  
Electrical and Mechanical.....115,849  
Rolling Stock.....972,432

TOTAL PHYSICAL PROPERTIES.....\$986,195

Land and Right of Way.....871,920

Consents.....217,000

Damages.....594,000

GRAND TOTAL OF SHORTAGES.....\$2,669,115

## STATEMENT V.

THE NASSAU ELECTRIC RAILROAD COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE III.

Based on Shortages in Transit Valuation Report.

## EXPENSES DURING CONSTRUCTION:

## INTEREST:

<i>On Land and Right of Way, exclusive of perpetual easements:</i>	
\$871,920×8%×2½ years.....	\$174,384
<i>On Consents:</i>	
\$217,000×8%×2½ years.....	43,400
<i>On Damages:</i>	
\$594,000×8%×2½ years.....	118,800
<i>On Contract Cost, exclusive of Rolling Stock:</i>	
\$13,763×8%×1 year.....	1,101
<i>On Rolling Stock:</i>	
\$972,432×8%×½ year.....	19,449

SUB-TOTAL OF ABOVE INTEREST ITEMS.....\$357,134

*On Cost of Procuring Money (i. e., on item termed Brokerage in Valuation Report):*

\$189,996×8%×2 years.....	30,399
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TOTAL INTEREST.....\$387,533

## TAXES:

*On Land and Right of Way:*

\$871,920×2.8%×2½ years.....	61,034
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## ENGINEERING, DESIGN AND INSPECTION COSTS:

*On Contract Costs, exclusive of Rolling Stock:*

\$13,763×3%.....	413
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## 68 ADMINISTRATION, EXECUTIVE, LEGAL AND OFFICE COSTS:

*On Contract Cost:*

\$986,195×2%.....	19,724
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TOTAL COMPANY EXPENSES DURING CONSTRUCTION...\$468,704

## EXPENSES PRIOR TO CONSTRUCTION:

*6% of Contract Cost:*

\$986,195×6%.....	59,172
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## COST OF PROCURING MONEY:

(Termed for Brokerage in Valuation Report) for the following Items:

Contract Cost.....	\$986,195
Land and Right of Way.....	871,920
Consents.....	217,000
Damages.....	594,000
Interest items (except for interest on cost of procuring money)	357,134
Taxes.....	61,034
Engineering, Design and Inspection.....	413
Administration, Executive and Legal.....	19,724
Company Costs prior to Construction.....	59,172

TOTAL.....\$3,166,592

\$3,166,592×6%.....	189,996
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TOTAL COMPANY EXPENSES.....\$717,872

THE CONEY ISLAND AND BROOKLYN RAILROAD  
COMPANY & CONEY ISLAND & BROOKLYN  
TERMINAL COMPANY.

**STATEMENT I.**  
**THE CONEY ISLAND AND BROOKLYN RAILROAD COMPANY.**

ITEMS	TABLE I Classified in T. C. Valuation Report as Operating Property 1921 Undepreciated			TABLE II Classified in T. C. Valuation Report as Non-Operating Property 1921 Undepreciated			TABLE III Stocks in T. C. Valuation Report Inventory 1921 Undepreciated	
	(1)	(2)	(3)	(1)	(2)	(3)	(4)	(5)
Tracks and Structures.....	\$5,242,712	123.2	\$5,539,469	\$87,100	123.2	\$92,030	\$104,924	
Electrical and Mechanical.....	569,124	116.6	701,161	562,771	116.6	693,334	201,000	
Rolling Stock.....	4,400,600	100	4,522,618		100		93,709	
Contract Cost.....	\$10,212,436	100	\$10,773,248	\$649,871		\$785,364	\$399,633	
Company's Expenses during Construction.....	684,400		1,337,606			192,196	113,430	
Company's Expenses Prior to Construction.....	27,700		646,398			47,122	23,978	
Brokerage Fees for Marketing Securities.....	540,200		804,076			78,376	25,744	
Incidentals.....				49,455	109.3	54,054		
Materials and Supplies.....	98		161,600		100	11,800	6,000	
Right of Way.....	3,000		762,400	583,813		285,800	41,000	
Land.....	534,519						76,000	
Consents.....							195,000	
Damages.....								
Grand Total.....	\$12,068,353		\$14,500,288	\$1,283,139		\$1,451,712	\$882,385	

\* Brokerage understood to be not included.

RECAPITULATION	
Table I.....	\$14,500,288
Table II.....	1,451,712
Table III.....	882,385
Total.....	\$16,834,385

## STATEMENT II.

Revised July 28, 1922.

THE CONEY ISLAND AND BROOKLYN RAILROAD COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE I.

## EXPENSES DURING CONSTRUCTION:

## INTEREST:

On Land and Right of Way, exclusive of perpetual Easements:	
\$782,400×8%×2½ years.....	\$156,480
On Contract Cost, exclusive of Rolling Stock:	
\$6,240,630×8%×1 year.....	499,250
On Rolling Stock:	
\$4,532,618×8%×½ year.....	90,652
SUB-TOTAL OF ABOVE INTEREST ITEMS.....	\$746,382
On Cost of Procuring Money (i. e., on item termed Brokerage in Valuation Report):	
\$304,676×8%×2 years.....	123,748
TOTAL INTEREST.....	\$875,130

## TAXES:

On Land and Right of Way:	
\$782,400×2.8%×2½ years.....	54,768

## ENGINEERING, DESIGN AND INSPECTION COSTS:

On Contract Costs, exclusive of Rolling Stock:	
\$6,240,630×3% for 1 year.....	187,219

## ADMINISTRATION, EXECUTIVE, LEGAL AND OFFICE COSTS:

On Contract Cost:	
\$10,773,248×2%.....	\$215,465

## INSURANCE:

On Rolling Stock, insurable portion of Buildings, and Power Plant and Substation Equipment, equivalent to .05% of Contract Cost:	
\$10,773,248×.05%.....	5,387

TOTAL COMPANY EXPENSES DURING CONSTRUCTION... \$1,337,909

## EXPENSES PRIOR TO CONSTRUCTION:

6% of Contract Cost:	
\$10,773,248×6%.....	646,395

## COST OF PROCURING MONEY:

(Termed for Brokerage in Valuation Report) for the following Items:

Contract Cost.....	\$10,773,248
Land and Right of Way.....	782,400
Interest items (except for interest on cost of procuring money).....	746,382
Taxes.....	54,768
Engineering, Design and Inspection.....	187,219
Administration, Executive and Legal.....	215,465
Insurance.....	5,387
Company costs prior to Construction.....	646,395

TOTAL..... \$13,411,264

\$13,411,264×6%.....	804,676
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TOTAL COMPANY EXPENSES..... \$2,789,040

## STATEMENT III.

THE CONEY ISLAND AND BROOKLYN RAILROAD COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE II.

Classified in Transit Valuation Report as "Not Used in Operation."

## EXPENSES DURING CONSTRUCTION:

## INTEREST:

On Land and Right of Way, exclusive of perpetual Easements:	
\$285,800×8%×2½ years.....	\$57,160
On Contract Cost, exclusive of Rolling Stock:	
\$785,364×8%×1 year.....	62,829

SUB-TOTAL OF ABOVE INTEREST ITEMS..... \$119,989

On Cost of Procuring Money (i. e., on item termed Brokerage in Valuation Report):

\$78,376×8%×2 years.....	12,540
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TOTAL INTEREST..... \$132,529

## TAXES:

On Land and Right of Way:	
\$285,800×2.8%×2½ years.....	20,006

## ENGINEERING, DESIGN AND INSPECTION COSTS:

On Contract Costs, exclusive of Rolling Stock:	
\$785,364×3%.....	23,561

## ADMINISTRATION, EXECUTIVE, LEGAL AND OFFICE COSTS:

On Contract Cost:	
\$785,364×2%.....	15,707

## INSURANCE:

On insurable portion of Buildings and Power Plant and Substation Equipment, equivalent to .05% of Contract Cost:	
\$785,364×.05%.....	393

TOTAL COMPANY EXPENSES DURING CONSTRUCTION... \$192,196

## EXPENSES PRIOR TO CONSTRUCTION:

6% of Contract Cost:	
\$785,364×6%.....	47,122

## COST OF PROCURING MONEY:

(Termed Brokerage in Valuation Report) for the following Items:

Contract Cost.....	\$785,364
Land and Right of Way.....	285,800
Interest items (except for interest on cost of procuring money).....	128,309
Taxes.....	20,006
Engineering, Design and Inspection Costs.....	23,561
Administration, Executive, Legal and Office Costs.....	15,707
Insurance.....	393
Company Expenses Prior to Construction.....	47,122

TOTAL..... \$1,306,262

\$1,306,262×6%.....	78,376
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TOTAL COMPANY EXPENSES..... \$317,694

## STATEMENT IV.

## THE CONEY ISLAND AND BROOKLYN RAILROAD COMPANY.

Based on Quantity Shortages Only and on Transit Commission Valuation Bureau Prices, Except as Stated.

## GRADING:

## Excavation:

T. C. has	105,164 cu. yds.	
should have	128,211 cu. yds.	
shortage	23,047 cu. yds.	\$59,922

## RAILS, RAIL FASTENINGS AND JOINTS:

## Rail Fastenings:

T. C. has	7,207 cwt.	
should have	9,948 cwt.	
shortage	2,741 cwt.	\$13,321

## Joints:

T. C. has	11,431 joints	
should have	15,648 joints	
shortage	4,217 joints	16,109

SHORTAGE . . . . .	29,430
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## SPECIAL WORK:

T. C. has	29,752 lin. ft.	
should have	30,624 lin. ft.	
shortage	872 lin. ft.	7,961

## POLES AND FIXTURES:

T. C. has	1,929 poles	
should have	1,955 poles	
shortage	26 poles	(A) 99,303

## POWER PLANT AND SUBSTATION EQUIPMENT:

Shortage in this item is apparently due to unduly low unit prices used, and amounts to . . . . .	140,000
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## BONDING:

Omitted by T. C. . . . .	56,000
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## ELECTRIC TRACK SWITCHES:

Omitted by T. C. . . . .	2,000
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## SHOP TOOLS:

Shortage . . . . .	2,700
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## ROLLING STOCK:

Shortage in extra trucks and compressors . . . . .	\$7,092
Shortage in truck parts, motor parts, air compressor parts, controller parts, car body fittings, etc. . . . .	86,617

SHORTAGE . . . . .	93,709
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## MISCELLANEOUS EQUIPMENT:

Wagons, etc., shortage . . . . .	300
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## CONSENTS:

Omitted by T. C. . . . .	76,000
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## DAMAGES:

Omitted by T. C. . . . .	195,000
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PROPERTY SHORTAGE . . . . .	\$665,012
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LAND AND RIGHT OF WAY SHORTAGE . . . . .	\$41,600	75
Shortage in construction overhead being 5.66% of (A) \$99,303 . . . . .	5,621	
TOTAL . . . . .	\$712,233	

TABLE III.

## SUMMARY OF SHORTAGES:

Track and Structures . . . . .	\$104,924
Electrical and Mechanical . . . . .	201,000
Rolling Stock . . . . .	93,709

## TOTAL PHYSICAL PROPERTIES:

Land and Right of Way . . . . .	\$399,633
Consents . . . . .	41,600
Damages . . . . .	76,000
	195,000

GRAND TOTAL OF SHORTAGES . . . . .	\$712,233
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## STATEMENT V.

CONEY ISLAND AND GRAVESEND RAILWAY COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE III.

Based on Shortage in Transit Valuation Report.

## EXPENSES DURING CONSTRUCTION:

<b>INTEREST:</b>	
On Land and Right of Way, exclusive of perpetual Easements:	
\$41,600 × 2½ years × 8%.....	\$8,320
On Consents:	
\$76,000 × 8% × 2½ years.....	15,200
On Damages:	
\$195,000 × 8% × 2½ years.....	39,000
On Contract Costs, exclusive of Rolling Stock:	
\$305,924 × 8% × 1 year.....	24,474
On Rolling Stock:	
\$93,709 × 8% × ½ year.....	1,874
<b>SUB-TOTAL OF ABOVE INTEREST-ITEMS.....</b>	<b>\$88,868</b>
On Cost of Procuring Money (i. e., on item termed Brokerage in Valuation Report):	
\$26,744 × 8% × 2 years.....	4,279
<b>TOTAL INTEREST.....</b>	<b>\$93,147</b>
<b>TAXES:</b>	
On Land and Right of Way:	
\$41,600 × 2.2% × 2½ years.....	2,912
<b>ENGINEERING, DESIGN AND INSPECTION COSTS:</b>	
On Contract Costs, exclusive of Rolling Stock:	
\$305,924 × 3% for 1 year.....	9,178
<b>ADMINISTRATION, EXECUTIVE, LEGAL AND OFFICE COSTS:</b>	
On Contract Cost:	
\$399,633 × 2%.....	7,993
<b>INSURANCE:</b>	
On Power Plant and Substation Equipment, equivalent to .05% of Contract Cost.....	200
<b>TOTAL COMPANY EXPENSES DURING CONSTRUCTION...</b>	<b>\$113,430</b>
<b>EXPENSES PRIOR TO CONSTRUCTION:</b>	
6% of Contract Cost:	
\$399,633 × 6%.....	23,978
<b>COST OF PROCURING MONEY:</b>	
(Termed Brokerage in Valuation Report) for the following Items:	
<b>Contract Cost:</b>	
Land and Right of Way.....	\$41,600
Consents.....	76,000
Damages.....	195,000
Interest Items (except for interest on cost of procuring money).....	88,868
Taxes.....	2,912
Engineering, design and inspection.....	9,178
Administration, Executive and Legal.....	7,993
Insurance.....	200
Company expenses prior to construction.....	23,978
<b>TOTAL.....</b>	<b>\$445,729</b>
\$445,729 × 6%.....	26,744
<b>TOTAL COMPANY EXPENSES.....</b>	<b>\$164,152</b>

BROOKLYN, QUEENS COUNTY & SUBURBAN  
RAILROAD COMPANY.

STATEMENT I.  
BROOKLYN, QUEENS COUNTY & SUBURBAN RAILROAD COMPANY.

ITEMS	TABLE I Classified in T. C. Valuation Report as Operating Property 1921 Underpreciated			TABLE II Classified in T. C. Valuation Report as Non-Operating Property 1921 Underpreciated			TABLE III Shortages in T. C. Valuation Bureau Inventory, 1921 Underpreciated	
	(1)	(2)	(3)	(1)	(2)	(3)	(4)	(5)
Track and Structures.....	\$5,443,304	123.2	\$5,751,416	\$127,200	123.2		\$134,400	\$267,109
Electrical and Mechanical.....	1,051,059	116.6	1,294,905	12,915	116.6		15,911	77,100
Rolling Stock.....	2,011,000	103	2,071,330		100			186,500
Contract Cost.....	662,700		\$9,117,651	\$140,115			\$150,311	\$330,709
Company's Expenses During Construction.....	23,000		1,182,880				116,488	68,000
Company's Expenses Prior to Construction.....	459,600		500,000				36,431	21,843
Incidentals.....			663,754	*10,663	109.3		11,655	212,118
Materials and Supplies.....					100			
Right of Way.....	2,000		137,000				2,000	8,000
Land.....	237,910		271,200	344,424			337,200	91,000
Consents.....								171,000
Damages.....								
Grand Total.....	\$9,890,773		\$11,916,044	\$405,202			\$663,104	\$1,737,278

\* Brokerage understood to be not included.

RECAPITULATION	
Table I.....	\$11,916,044
Table II.....	663,104
Table III.....	1,737,278
Total.....	\$14,316,426

## STATEMENT II.

BROOKLYN, QUEENS COUNTY & SUBURBAN RAILROAD COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE I.

## EXPENSES DURING CONSTRUCTION:

## INTEREST:

On Land and Right of Way, exclusive of perpetual Easements: \$271,200×8%×2½ years.....	\$54,240
On Contract Cost, exclusive of Rolling Stock: \$7,046,321×8%×1 year.....	563,706
On Rolling Stock: \$2,071,330×8%×½ year.....	41,427
SUB-TOTAL OF ABOVE INTEREST ITEMS.....	\$659,373
On Cost of Procuring Money (i. e., on item termed Brokerage in Valuation Report): \$660,754×8%×2 years.....	105,721
TOTAL INTEREST.....	\$765,094

## TAXES:

On Land and Right of Way: \$271,200×2.8%×2½ years.....	18,984
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## ENGINEERING, DESIGN AND INSPECTION COSTS:

On Contract Costs, exclusive of Rolling Stock: \$7,046,321×3%×1 year.....	211,390
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## ADMINISTRATION, EXECUTIVE, LEGAL AND OFFICE COSTS:

On Contract Cost: \$9,117,651×2%.....	182,353
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## INSURANCE:

On Rolling Stock and insurable portion of Buildings, equivalent to .05% of Contract Cost: \$9,117,651×.05%.....	4,559
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TOTAL COMPANY EXPENSES DURING CONSTRUCTION... \$1,182,380

## EXPENSES PRIOR TO CONSTRUCTION:

6% of Contract Cost: \$9,117,651×6%.....	547,059
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## COST OF PROCURING MONEY:

(Termed Brokerage in Valuation Report) for the following Items:

Contract Cost.....	\$9,117,651
Land and Right of Way.....	271,200
Interest items (except for interest on cost of procuring money).....	659,373
Taxes.....	18,984
Engineering, Design and Inspection.....	211,390
Administrative, Executive and Legal.....	182,353
Insurance.....	4,559
Company Costs prior to Construction.....	547,059

TOTAL..... \$11,012,569

\$11,012,569×6%..... 660,754

TOTAL COMPANY EXPENSES..... \$2,390,193

## STATEMENT III.

BROOKLYN, QUEENS COUNTY & SUBURBAN RAILROAD COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE II.

Classified in Transit Valuation Report as "Not Used in Operation."

## EXPENSES DURING CONSTRUCTION:

## INTEREST:

On Land and Right of Way, exclusive of perpetual Easements: \$337,200×8%×2½ years.....	\$67,440
On Contract Costs, exclusive of Rolling Stock: \$150,311×8%×1 year.....	12,025
SUB-TOTAL OF ABOVE INTEREST ITEMS.....	\$79,465

On Cost of Procuring Money (i. e., on item termed Brokerage in Valuation Report):

\$36,431×8%×2 years..... 5,829

TOTAL INTEREST..... \$85,294

## TAXES:

On Land and Right of Way: \$337,200×2.8%×2½ years.....	23,604
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## ENGINEERING, DESIGN AND INSPECTION COSTS:

On Contract Costs, exclusive of Rolling Stock: \$150,311×3%.....	4,509
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## ADMINISTRATION, EXECUTIVE, LEGAL AND OFFICE COSTS:

On Contract Cost: \$150,311×2%.....	3,006
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## INSURANCE:

On insurable portion of Buildings, equivalent to .05% of Contract Cost: \$150,311×.05%.....	75
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TOTAL COMPANY EXPENSES DURING CONSTRUCTION... \$116,488

## EXPENSES PRIOR TO CONSTRUCTION:

6% of Contract Cost: \$150,311×6%.....	9,019
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## COST OF PROCURING MONEY:

(Termed Brokerage in Valuation Report) for the following Items:

Contract Cost.....	\$150,311
Land and Right of Way.....	337,200
Interest items (except for interest on cost of procuring money).....	79,465
Taxes.....	23,604
Engineering, Design and Inspection Costs.....	4,509
Administration, Executive, Legal and Office Costs.....	3,006
Insurance.....	75
Company expenses prior to construction.....	9,019

TOTAL..... \$607,189

\$607,189×6%..... 36,431

TOTAL COMPANY EXPENSES..... \$161,938

## STATEMENT IV.

## BROOKLYN, QUEENS COUNTY &amp; SUBURBAN RAILROAD COMPANY.

Based on Quantity Shortages Only and on Transit Commission Valuation Bureau  
Prices, Except as Stated.

## GRADING:

## Excavation:

T. C. has	141,564 cu. yds.	
should have	165,663 cu. yds.	
shortage	24,099 cu. yds.	\$62,657
Ballast, concrete under		
steel ties, omitted 1,225 cu. yds.		12,250

SHORTAGE ..... \$74,907

## RAILS, RAIL FASTENINGS AND JOINTS:

## Rails:

T. C. has	10,291 net tons	
should have	10,379 net tons	
shortage	88 net tons	6,167

## Rail Fastenings:

T. C. has	10,842 cwt.	
should have	13,019 cwt.	
shortage	2,177 cwt.	10,776

## Joints:

T. C. has	15,053 joints	
should have	19,873 joints	
shortage	4,820 joints	30,462

SHORTAGE ..... 47,405

## SPECIAL WORK:

T. C. has	33,865 lin. ft.	
should have	34,737 lin. ft.	
shortage	872 lin. ft.	7,403

## TRACK LAYING AND SURFACING:

T. C. has	366,693 lin. ft.	
should have	368,015 lin. ft.	
shortage	1,322 lin. ft.	1,124

## PAVING OVER DUCTS:

T. C. has	1,845 sq. yds.	
should have	18,500 sq. yds.	
shortage	16,655 sq. yds.	121,582

(A) \$252,421

## BRIDGES, TRETTLES AND CULVERTS:

Two-track drains omitted by T. C.	400
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## BONDING:

Omitted by T. C.	50,000
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## ELECTRIC TRACK SWITCHES:

Omitted by T. C.	4,000
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## 84 ROLLING STOCK:

Shortage in extra motors	\$141,816
Shortage in motor parts, car-body fittings, etc.	44,684

SHORTAGE ..... 186,500

## SHOP TOOLS:

Shortage	\$11,200
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## MISCELLANEOUS EQUIPMENT:

Omitted by T. C.	2,900
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## CONSENTS:

Omitted by T. C.	91,000
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## DAMAGES:

Omitted by T. C.	171,000
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## PROPERTY SHORTAGE

PROPERTY SHORTAGE	\$778,421
REAL ESTATE AND RIGHT OF WAY SHORTAGE	2,052,080
Shortage in construction overhead being 5.66% of (A) \$252,421	14,288

\$2,884,789

TABLE III.

## SUMMARY OF SHORTAGES:

Track and Structures	\$267,109
Electrical and Mechanical	77,100
Rolling Stock	186,500

## TOTAL PHYSICAL PROPERTY

TOTAL PHYSICAL PROPERTY	\$530,709
Land and Right of Way	2,052,080
Consents	91,000
Damages	171,000

GRAND TOTAL SHORTAGES..... \$2,884,789

## STATEMENT V.

BROOKLYN, QUEENS COUNTY & SUBURBAN RAILROAD COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE III.

Based on Shortages in Transit Valuation Report.

## EXPENSES DURING CONSTRUCTION:

INTEREST:	
On Land and Right of Way, exclusive of perpetual Easements:	
\$2,052,080 × 8% × 2½ years.....	\$410,416
On Consents:	
\$91,000 × 8% × 2½ years.....	18,200
On Damages:	
\$171,000 × 8% × 2½ years.....	34,200
On Contract Cost, exclusive of Rolling Stock:	
\$344,209 × 8% × 1 year.....	27,537
On Rolling Stock:	
\$186,500 × 8% × 1 year.....	3,730
SUB-TOTAL OF ABOVE INTEREST CHARGES.....	\$494,083
On Cost of Procuring Money (i. e., on item termed Brokerage in Valuation Report):	
\$212,118 × 8% × 2 years.....	33,939
TOTAL INTEREST.....	\$528,022
TAXES:	
On Land and Right of Way:	
\$2,052,080 × 2.8% × 2½ years.....	143,846
ENGINEERING, DESIGN AND INSPECTION COSTS:	
On Contract Costs, exclusive of Rolling Stock:	
\$344,209 × 3% for 1 year.....	10,326
ADMINISTRATION, EXECUTIVE, LEGAL AND OFFICE COSTS:	
On Contract Cost:	
\$530,709 × 2%.....	10,614
TOTAL COMPANY EXPENSES DURING CONSTRUCTION...	\$692,608
EXPENSES PRIOR TO CONSTRUCTION:	
6% of Contract Cost:	
\$530,709 × 6%.....	31,843
COST OF PROCURING MONEY:	
(Termed Brokerage in Valuation Report) for the following Items:	
Contract Cost.....	\$530,709
Land and Right of Way.....	2,052,080
Consents.....	91,000
Damages.....	171,000
Interest Items (except for interest on cost of providing money)	494,083
Taxes.....	143,846
Engineering, Design and Inspection Costs.....	10,326
Administration, Execution and Legal.....	10,614
Company Expenses prior to construction.....	31,843
TOTAL.....	\$3,535,301
\$3,535,301 × 6%.....	212,118
TOTAL COMPANY EXPENSES.....	\$936,569

SOUTH BROOKLYN RAILWAY COMPANY  
AND LESSOR COMPANIES.

SOUTH BROOKLYN RAILWAY COMPANY.  
PROSPECT PARK & CONEY ISLAND RAILROAD COMPANY.  
PROSPECT PARK & SOUTH BROOKLYN RAILROAD COMPANY.  
NEW YORK & CONEY ISLAND RAILROAD COMPANY.

**STATEMENT I.**  
**THE SOUTH BROOKLYN RAILWAY COMPANY.**

ITEMS	TABLE I			TABLE II			TABLE III	
	Classified in T. C. Valuation Report as Operating Property 1921 Undepreciated	(2)	(3)	Classified in T. C. Valuation Report as Non-Operating Property 1921 Undepreciated	(4)	(5)	Shortage in T. C. Valuation Report as Operating Property 1921 Undepreciated	Shortage in T. C. Valuation Report as Non-Operating Property 1921 Undepreciated
Tracks and Structures.....	\$2,793,276	123.2 116.6	\$2,951,386	\$140,200	123.2 116.6	\$148,136	\$858,448	
Electrical and Mechanical.....	456,078	123.2 100	561,888	7,456	123.2 100	9,189	17,793	
Rolling Stock.....	1,738,500	103	1,790,655					
Contract Cost.....	\$4,987,854		\$5,303,929	\$147,659		\$157,325	\$876,241	
Company's Expenses During Construction.....	396,590		1,480,978			25,940	543,220	
Company's Expenses Prior to Construction.....	13,700		318,235			9,440	52,574	
Brokerage Fees for Marketing Securities.....	275,400		606,760			12,282	175,693	
Incidentals.....				\$11,237	103.3 100			
Materials and Supplies.....			80,000			2,000	13,000	
Right of Way.....	542,000		3,157,080	12,900		12,800	1,484,299	
Land.....	1,952,278						To be determined	
Consents.....							To be determined	
Damages.....							To be determined	
Grand Total.....	\$8,135,732		\$10,949,982	\$171,796		\$232,000	\$3,145,027	

\* Brokerage understood not to be included.

RECAPITULATION	
Table I.....	\$10,949,982
Table II.....	232,000
Table III.....	3,145,027
Total.....	<u>\$14,327,009</u>

## STATEMENT II.

THE SOUTH BROOKLYN RAILWAY COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE I.

## EXPENSES DURING CONSTRUCTION:

## INTEREST:

On Land and Right of Way: \$3,157,080×8%×2½ years.....	\$631,416
On Contract Cost, exclusive of Rolling Stock: \$3,513,274×8%×1 year.....	281,062
On Rolling Stock: \$1,790,655×8%×½ year.....	35,813

SUB-TOTAL OF ABOVE IN INTEREST ITEMS.....\$948,291

On Cost of Procuring Money (i. e., on item termed Brokerage in Valuation Report): \$609,760×8%×2 years.....	97,562
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TOTAL INTEREST.....\$1,045,853

## TAXES:

On Land and Right of Way: \$3,157,080×2.8%×2½ years.....	220,996
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## ENGINEERING, DESIGN AND INSPECTION COSTS:

On Contract Costs, exclusive of Rolling Stock: \$3,513,274×3%.....	105,398
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## ADMINISTRATION, EXECUTIVE, LEGAL AND OFFICE COSTS:

On Contract Cost: \$5,303,929×2%.....	106,079
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## INSURANCE:

On Rolling Stock, insurable buildings portion of buildings and Substation Equipment equivalent to .05% of Contract Cost: \$5,303,929×.05%.....	2,652
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TOTAL COMPANY EXPENSES DURING CONSTRUCTION...\$1,480,978

## 89 EXPENSES PRIOR TO CONSTRUCTION:

6% of Contract Cost: \$5,303,929×6%.....	318,235
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## COST OF PROCURING MONEY:

(Termed Brokerage in Valuation Report) for the following Items:

Contract Cost.....	\$5,303,929
Land and Right of Way.....	3,157,080
Interest Items (except for interest on Cost of procuring money).....	948,291
Taxes.....	220,996
Engineering, Design and Inspection.....	105,398
Administration, Executive, Legal and Office Costs.....	106,079
Insurance.....	2,652
Company costs prior to construction.....	318,235

TOTAL.....\$10,162,660

\$10,162,660×6%.....	609,760
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TOTAL COMPANY EXPENSES.....\$2,408,973

## STATEMENT III.

THE SOUTH BROOKLYN RAILWAY COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE II.

Classified in Transit Valuation Report as "Not Used in Operation."

## EXPENSES DURING CONSTRUCTION:

## INTEREST:

On Land and Right of Way: \$12,800×8%×2½ years.....	\$2,560
On Contract Cost, exclusive of Rolling Stock: \$157,325×8%×1 year.....	12,586

SUB-TOTAL OF ABOVE INTEREST ITEMS.....\$15,146

On Cost of Procuring Money (i. e., on item termed Brokerage in Valuation Report): \$12,213×8%×2 years.....	1,954
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TOTAL INTEREST.....\$17,100

## TAXES:

On Land and Right of Way: \$12,800×2.8%×2½ years.....	896
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## ENGINEERING, DESIGN AND INSPECTION COSTS:

On Contract Cost, exclusive of Rolling Stock: \$157,325×3%.....	4,719
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## ADMINISTRATIVE, EXECUTIVE, LEGAL AND OFFICE COSTS:

On Contract Cost: \$157,325×2%.....	3,146
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## INSURANCE:

On insurable portion of Buildings, equivalent to .05% of Contract Cost: .05%×\$157,325.....	79
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TOTAL COMPANY EXPENSES DURING CONSTRUCTION...\$25,940

## EXPENSES PRIOR TO CONSTRUCTION:

6% of Contract Cost: \$157,325×6%.....	9,440
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## COST OF PROCURING MONEY:

(Termed Brokerage in Valuation Report) for the following Items:

Contract Cost.....	\$157,325
Land and Right of Way.....	12,800
Interest Items (except for interest on cost of procuring money).....	15,146
Taxes.....	896
Engineering, Design and Inspection Costs.....	4,719
Administration, Executive, Legal and Office Costs.....	3,146
Insurance.....	79
Company Expenses Prior to Construction.....	9,440

TOTAL.....\$203,551

\$203,551×6%.....	12,213
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TOTAL COMPANY EXPENSES.....\$47,593

## STATEMENT IV.

## THE SOUTH BROOKLYN RAILWAY COMPANY.

Based on Quantity Shortages Only and on Transit Commission Valuation Bureau Prices, Except as Stated.

GRADING:			
Backfilling:			
T. C. has	2,702 cu. yds.	\$2,616	
should have	15,555 cu. yds.	40,443	
SHORTAGE			\$37,827
TIES, RAILS, RAIL FASTENINGS AND JOINTS, TRACK LAYING AND SURFACING:			
T. C. has	113,743 cu. ft.		
should have	154,118 cu. ft.		
shortage	40,375 cu. ft.		261,634
SPECIAL WORK:			
T. C. has	12,387 lin. ft.		
should have	17,760 lin. ft.		
shortage	5,373 lin. ft.		135,400
CROSSINGS, FENCES AND SIGNS:			
T. C. has		\$20,552	
should be		23,422	
SHORTAGE			2,900
DOCKS AND WHARVES:			
SHORTAGE			24,000
SUBSTATION:			
Paving in front of—			
Shortage	233 sq. yds.	\$950	
Air duct—bus bar compartment, etc.:			
Shortage		10,500	
SHORTAGE			11,450
93 MISCELLANEOUS BUILDINGS:			
T. C. has	583,400 cu. ft.	\$140,200	
should have	679,400 cu. ft.	148,200	
SHORTAGE			8,000
			(A) \$481,210
NOTE ON BUILDINGS:			
T. C. includes the whole of 9th Ave. Car House in The Nassau Electric R. R. Appraisal. Part of this building, estimated at \$350,000, belongs to the Prospect Park & Coney Island R. R., the same amount being deducted from the Nassau Electric R. R. Appraisal.			
			350,000
BONDING:			
Omitted by T. C.			14,442
TRACK SWITCHES:			
Omitted by T. C. To be determined.			
PROPERTY SHORTAGE		(B) \$14,442	
LAND AND RIGHT OF WAY			1,484,299

## CONSENTS:

Omitted by T. C. To be determined.....

## DAMAGES:

Omitted by T. C. To be determined.....

## SHORTAGE IN CONSTRUCTION OVERHEAD:

being 5.66% of A (\$481,211)..... \$27,237

## SHORTAGE IN CONSTRUCTION OVERHEAD:

being 23.2% of B (\$14,442)..... 3,351

TOTAL SHORTAGE..... \$2,360,540

TABLE III.

SUMMARY OF SHORTAGES:		
Track and Structures.....		\$858,448
Electrical and Mechanical.....		17,793
TOTAL SHORTAGE PHYSICAL PROPERTY.....		\$876,241
Real Estate—Right of Way.....		1,484,299
Consents—To be determined.....		
Damage—To be determined.....		
GRAND TOTAL SHORTAGES.....		\$2,360,540

## STATEMENT V.

THE SOUTH BROOKLYN RAILWAY COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE III.

Based on Shortages in Transit Valuation Report.

## EXPENSES DURING CONSTRUCTION:

## INTEREST:

On Land and Right of Way:  
\$1,484,299  $\times$  8%  $\times$  2½ years..... \$296,860

On Contract Cost, exclusive of Rolling Stock:  
\$876,241  $\times$  8%  $\times$  1 year..... 70,099

SUB-TOTAL OF ABOVE INTEREST ITEMS..... \$366,959

On Cost of Procuring Money (i. e., on item termed Brokerage in Valuation Report):  
\$175,693  $\times$  8%  $\times$  2½ years..... 28,111

TOTAL INTEREST..... \$395,070

## TAXES:

On Land and Right of Way:  
\$1,484,299  $\times$  2.8%  $\times$  2½ years..... 103,901

## ENGINEERING, DESIGN AND INSPECTION COSTS:

On Contract Cost:  
\$876,241  $\times$  3%..... 26,287

## ADMINISTRATION, EXECUTIVE, LEGAL AND OFFICE COSTS:

On Contract Cost:  
\$876,241  $\times$  2%..... 17,524

## INSURANCE:

On insurable portion of Buildings, equivalent to .05% of Contract Cost:  
\$876,241  $\times$  .05%..... 438

TOTAL COMPANY EXPENSES DURING CONSTRUCTION... \$543,220

## EXPENSES PRIOR TO CONSTRUCTION:

6% of Contract Cost:  
\$876,241  $\times$  6%..... 52,574

## 95 COST OF PROCURING MONEY:

(Termed Brokerage in Valuation Report) for the following Items:

Contract Cost..... \$876,241  
Land and Right of Way..... 1,484,299  
Interest items (except for interest on cost of procuring money) 366,959  
Taxes..... 103,901  
Engineering, Design and Inspection..... 26,287  
Administrative, Executive and Legal Costs..... 17,524  
Company expenses prior to construction..... 52,574  
Insurance..... 438

TOTAL..... \$2,928,223  
\$2,928,223  $\times$  6%..... 175,693

TOTAL COMPANY EXPENSE..... \$771,487

## THE BROOKLYN HEIGHTS RAILROAD COMPANY

STATEMENT I.  
THE BROOKLYN HEIGHTS RAILROAD COMPANY.

ITEMS	TABLE I Classified in T. C. Valuation Report as Operating Property 1921 Unappraised		TABLE II Classified in T. C. Valuation Report as Non-Operating Property 1921 Unappraised		TABLE III Shortages in T. C. Valuation Report as Inventory 1921 Unappraised
	(1)	(2)	(1)	(2)	(3)
Track and Structures.....	\$825,347	123.2	\$872,065		\$187,632
Electrical and Mechanical.....	60,940	123.2	75,089		40,200
Rolling Stock.....	345,300	100	355,659		18,185
Contract Cost.....	\$1,231,596		\$1,302,813		\$246,017
Company's Expense During Construction.....	93,000		174,962		50,799
Contractor's Expense During Construction.....	58,400		100,000		17,700
Brokerage Fees for Marketing Securities.....	66,400		97,181		22,790
Incidentals.....	11,736				
Materials and Supplies.....	9,000		79,280		35,200
Right of Way.....	67,714				
Land.....					9,800
Consents.....					20,900
Damages.....					
Grand Total.....	\$1,482,746		\$1,732,405	\$40,775	\$44,664
					\$406,267

RECAPITULATION

Table I.....	\$1,732,405
Table II.....	44,664
Table III.....	406,267
Total.....	\$2,183,336

## STATEMENT II.

THE BROOKLYN HEIGHTS RAILROAD COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE I.

## EXPENSES DURING CONSTRUCTION:

## INTEREST:

On Land and Right of Way, exclusive of perpetual Easements:	
\$79,280 $\times$ 8% $\times$ 2 $\frac{1}{2}$ years.....	\$15,856
On Contract Cost, exclusive of Rolling Stock:	
\$947,154 $\times$ 8% $\times$ 1 year.....	75,772
On Rolling Stock:	
\$355,659 $\times$ 8% $\times$ $\frac{1}{2}$ year.....	7,113

SUB-TOTAL OF ABOVE INTEREST ITEMS.....\$98,741

On Cost of Procuring Money (i. e., on item termed Brokerage in Valuation Report):	
\$97,181 $\times$ 8% $\times$ 2 years.....	15,549

TOTAL INTEREST.....\$114,290

## TAXES:

On Land and Right of Way:	
\$79,280 $\times$ 2.8% $\times$ 2 $\frac{1}{2}$ years.....	5,550

## ENGINEERING, DESIGN AND INSPECTION COSTS:

On Contract Cost, exclusive of Rolling Stock:	
\$947,154 $\times$ 3%.....	28,415

## ADMINISTRATION, EXECUTIVE, LEGAL AND OFFICE COSTS:

On Contract Cost:	
\$1,302,813 $\times$ 2%.....	26,056

## INSURANCE:

On Rolling Stock and insurable portion of Buildings, equivalent to .05% of Contract Cost:	
\$1,302,813 $\times$ .05%.....	651

TOTAL COMPANY EXPENSES DURING CONSTRUCTION...\$174,962

## 98 EXPENSES PRIOR TO CONSTRUCTION:

6% of Contract Cost:	
\$1,302,813 $\times$ 6%.....	78,169

## COST OF PROCURING MONEY:

(Termed Brokerage in Valuation Report) for the following Items:

Contract Cost.....	\$1,302,813
Land and Right of Way.....	79,280
Interest items (except for interest on cost of procuring money).....	98,741
Taxes.....	5,550
Engineering, Design and Inspection Costs.....	28,415
Administration, Executive, Legal and Office Costs.....	26,056
Insurance.....	651
Company Expenses Prior to Construction.....	78,169

TOTAL.....\$1,619,675

\$1,619,675 $\times$ 6%.....	97,181
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TOTAL COMPANY EXPENSES.....\$350,312

## STATEMENT III.

THE BROOKLYN HEIGHTS RAILROAD COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE II.

Classified in Transit Valuation Report as "Not Used in Operation."

## EXPENSES DURING CONSTRUCTION:

## INTEREST:

On Land:	
\$32,880 $\times$ 8% $\times$ 2 $\frac{1}{2}$ years.....	\$6,576
On Cost of Procuring Money (i. e., on item termed Brokerage in Valuation Report):	
\$2,505 $\times$ 8% $\times$ 2 years.....	401
TOTAL INTEREST.....	\$6,977

## TAXES:

On Land:	
\$32,880 $\times$ 2.8% $\times$ 2 $\frac{1}{2}$ years.....	2,302

TOTAL COMPANY EXPENSES DURING CONSTRUCTION...\$9,279

## COST OF PROCURING MONEY:

(Termed Brokerage in Valuation Report) for the following Items:

Land.....	\$32,880
Interest on Land.....	6,576
Taxes.....	2,302
TOTAL.....	\$41,758

\$41,758  $\times$  6%.....2,505

TOTAL COMPANY EXPENSES.....\$11,784

## STATEMENT IV.

## THE BROOKLYN HEIGHTS RAILROAD COMPANY.

Based on Quantity Shortages Only and on Transit Commission Valuation Bureau  
Prices Only, Except as Stated.

## GRADING:

Excavation:		
T. C. has	10,006 cu. yds.	
should have	11,495 cu. yds.	
shortage	1,489 cu. yds.	\$3,871

## RAILS, RAIL FASTENINGS AND JOINTS:

Rail Fastenings:		
T. C. has	840 cwt.	
should have	1,057 cwt.	
shortage	217 cwt.	\$1,078

Joints:		
T. C. has	896 joints	
should have	1,225 joints	
shortage	329 joints	1,444

SHORTAGE..... 2,522

## SPECIAL WORK:

T. C. has	3,418 lin. ft.	
should have	3,730 lin. ft.	
shortage	312 lin. ft.	2,172

## TRACK LAYING AND SURFACING:

T. C. has	25,834 lin. ft.	
should have	25,939 lin. ft.	
shortage	105 lin. ft.	91

## PAVING:

T. C. has	4,332 sq. yds.	
should have	20,020 sq. yds.	
shortage	15,688 sq. yds.	60,085

(A) \$68,741

## BUILDINGS:

Shortage of 35.29% of the value of the Maspeth Depot, which proportion the Brooklyn Heights Railroad owns, the remainder owned by Brooklyn City Railroad T. C. has included total value in Brooklyn City inventory. There should be transferred to Brooklyn Heights Railroad.....	115,000
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## 101 BONDING:

Omitted by T. C.....	5,000
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## SHOP TOOLS:

Shortage.....	29,400
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## ROLLING STOCK:

Shortage of extra trucks.....	\$4,687
Shortage of truck parts, car-body fittings, etc.....	13,498

SHORTAGE..... 18,185

## MISCELLANEOUS EQUIPMENT:

Omitted by T. C.....	5,800
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## CONSENTS:

Omitted by T. C.....	9,800
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## DAMAGES:

Omitted by T. C.....	26,900
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PROPERTY SHORTAGE..... \$278,826

## LAND AND RIGHT OF WAY:

Shortage in construction overhead being 5.66% of (A) \$68,741.....	3,891
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\$317,917

TABLE III.

## SUMMARY OF SHORTAGES:

Track and Structures.....	\$187,632
Electrical and Mechanical.....	40,200
Rolling Stock.....	18,185

## TOTAL PHYSICAL PROPERTIES:

Land and Right of Way.....	\$246,017
Consents.....	35,200
Damages.....	9,800
	26,900

GRAND TOTAL SHORTAGES..... \$317,917

STATEMENT V.  
THE BROOKLYN HEIGHTS RAILROAD COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE III.  
Based on Shortages in Transit Valuation Report.

## EXPENSES DURING CONSTRUCTION:

## INTEREST:

<i>On Land and Right of Way, exclusive of perpetual Easements:</i>	
\$35,200×8%×2½ years.....	\$7,040
<i>On Consents:</i>	
\$9,000×8%×2½ years.....	1,800
<i>On Damages:</i>	
\$26,900×8%×2½ years.....	5,380
<i>On Contract Cost, exclusive of Rolling Stock:</i>	
\$227,832×8%×1 year.....	18,227
<i>On Rolling Stock:</i>	
\$18,185×8%×½ year.....	364

SUB-TOTAL OF ABOVE INTEREST ITEMS..... \$32,811

<i>On Cost of Procuring Money (i. e., on item termed Brokerage in Valuation Report):</i>	
\$22,790×8%×2 years.....	3,646

TOTAL INTEREST..... \$36,457

## TAXES:

<i>On Land and Right of Way:</i>	
\$35,200×2.8%×2½ years.....	2,464

## ENGINEERING, DESIGN AND INSPECTION COSTS:

<i>On Contract Cost, exclusive of Rolling Stock:</i>	
\$227,832×3% for 1 year.....	6,835

## ADMINISTRATION, EXECUTIVE, LEGAL AND OFFICE COSTS:

<i>On Contract Cost:</i>	
\$246,017×2%.....	\$4,920

## INSURANCE:

<i>On insurable portion of Buildings equivalent to .05% of Contract Cost:</i>	
\$246,017×.05%.....	123

TOTAL COMPANY EXPENSES DURING CONSTRUCTION... \$50,799

## EXPENSES PRIOR TO CONSTRUCTION:

<i>6% of Contract Cost:</i>	
\$246,017×6%.....	14,761

## COST OF PROCURING MONEY:

(Termed for Brokerage in Valuation Report) for the following Items:	
Contract Cost.....	\$246,017
Land and Right of Way.....	35,200
Consents.....	9,800
Damages.....	26,900
Interest Items (except for interest on cost of procuring money)	32,811
Taxes.....	2,464
Engineering, Design and Inspection Costs.....	6,835
Administration, Executive, Legal and Office.....	4,920
Insurance.....	123
Company Expenses prior to Construction.....	14,761

TOTAL..... \$379,831

\$379,831×6%.....	22,790
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TOTAL COMPANY EXPENSES..... \$388,350

CONEY ISLAND AND GRAVESEND  
RAILWAY COMPANY.

STATEMENT I.  
CONEY ISLAND AND GRAVESEND RAILWAY COMPANY.

ITEMS	TABLE I Classified in T. C. Valuation Report as Operating Property 1921 Undepreciated			TABLE II Classified in T. C. Valuation Report as Non-Operating Property 1921 Undepreciated			TABLE III Shortages in T. C. Valuation Bureau Inventory of Property Undepreciated
	(1)	(2)	(3)	(1)	(2)	(3)	
Tracks and Structures.....	\$495,084	123.2	\$523,108				\$22,396
Electrical and Mechanical.....	7,134	116.6	8,789				6,100
Rolling Stock.....	\$397,500	103	378,525				5,278
Contract Cost.....	\$899,718	100	\$910,422				\$33,774
Company's Expenses During Construction.....	58,900		94,820				12,166
Company's Expenses Prior to Construction.....	2,200		54,025				2,026
Bricklayers' and Carpenters' Expenses.....	46,500		62,987				5,091
Incidentals.....			14,000				500
Materials and Supplies.....							
Right of Way.....							
Land.....							
Consents.....							
Damages.....							
Grand Total.....	\$977,318		\$1,136,854				\$90,727

85

RECAPITULATION

Table I.....	\$1,136,854
Table III.....	90,727
Total.....	<u>\$1,227,581</u>

## STATEMENT II.

CONEY ISLAND AND GRAVESEND RAILWAY COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE I.

## EXPENSES DURING CONSTRUCTION:

## INTEREST:

On Contract Cost, exclusive of Rolling Stock:  
\$531,897 × 8% × 1 year..... \$42,552

On Rolling Stock:  
\$378,525 × 8% × 1 year..... 7,570

SUB-TOTAL OF ABOVE INTEREST ITEMS..... \$50,122

On Cost of Procuring Money (i. e., on item termed Brokerage in Valuation Report):  
\$62,987 × 8% × 2 years..... 10,078

TOTAL INTEREST..... \$60,200

## ENGINEERING, DESIGN AND INSPECTION COSTS:

On Contract Costs, exclusive of Rolling Stock:  
\$531,897 × 3%..... 15,957

## ADMINISTRATION, EXECUTIVE, LEGAL AND OFFICE COSTS:

On Contract Cost:  
\$910,422 × 2%..... 18,208

## INSURANCE:

On Rolling Stock, equivalent to .05% of Contract Cost:  
\$910,422 × .05%..... 455

TOTAL COMPANY EXPENSES DURING CONSTRUCTION... \$94,820

## EXPENSES PRIOR TO CONSTRUCTION:

106 6% of Contract Cost:  
\$910,422 × 6%..... 54,625

## COST OF PROCURING MONEY:

(Termed Brokerage in Valuation Report) for the following items:

Contract Cost..... \$910,422  
Interest items (except for interest on cost of procuring money) 50,122  
Engineering, Design and inspection Costs..... 15,957  
Administration, Executive, Legal and Office Costs..... 18,208  
Insurance..... 455  
Company Costs prior to Construction..... 54,625

TOTAL..... \$1,049,789

\$1,049,789 × 6%..... 62,987

TOTAL COMPANY EXPENSES..... \$212,432

## STATEMENT IV.

## CONEY ISLAND AND GRAVESEND RAILWAY COMPANY.

Based on Quantity Shortages Only and on Transit Commission Valuation Bureau Prices, Except as Stated.

## GRADING:

## Excavation:

T. C. has 16,962 cu. yds.  
should have 20,296 cu. yds.  
shortage 3,334 cu. yds..... \$8,668

## RAILS, RAIL FASTENINGS AND JOINTS:

## Rail Fastenings:

T. C. has 1,382 cwt.  
should have 1,723 cwt.  
shortage 341 cwt..... \$1,698

## Joints:

T. C. has 2,136 joints  
should have 2,599 joints  
shortage 463 joints..... 3,047

SHORTAGE..... 4,745

## TRACK LAYING AND SURFACING:

T. C. has 41,704 lin. ft.  
should have 41,813 lin. ft.  
shortage 109 lin. ft..... 90

## POLES AND FIXTURES:

T. C. has 434 poles  
should have 518 poles  
shortage 84 poles..... 7,693

(A) \$21,196

## BONDING:

Omitted by T. C..... 6,100

## ROLLING STOCK:

Shortage in truck parts, motor parts, compressor parts, controller parts, car-body fittings, etc..... 5,278

## CONSENTS:

Omitted by T. C..... 12,800

## DAMAGES:

Omitted by T. C..... 24,400

PROPERTY SHORTAGE..... \$69,774

Shortage in construction overhead being 5.66% of (A) \$21,196..... 1,200

\$70,974

## TABLE III.

## SUMMARY OF SHORTAGES:

Track and Structures..... \$22,396  
Electrical and Mechanical..... 6,100  
Rolling Stock..... 5,278

TOTAL PHYSICAL PROPERTIES..... \$33,774

Consents..... 12,800

Damages..... 24,400

GRAND TOTAL SHORTAGES..... \$70,974

## STATEMENT V.

CONEY ISLAND AND GRAVESEND RAILWAY COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE III.

Based on Shortages in Transit Valuation Report.

## EXPENSES DURING CONSTRUCTION:

## INTEREST:

On Consents:	
\$12,800×8%×2½ years.....	\$2,560
On Damages:	
\$24,400×8%×2½ years.....	4,880
On Contract Cost, exclusive of Rolling Stock:	
\$28,496×8%×1 year.....	2,280
On Rolling Stock:	
\$5,278×8%×½ year.....	106
SUB-TOTAL OF ABOVE INTEREST ITEMS.....	\$9,826
On Cost of Procuring Money (i. e., on item termed Brokerage in Valuation Report):	
\$5,061×8%×2 years.....	810
TOTAL INTEREST.....	\$10,636

## ENGINEERING, DESIGN AND INSPECTION COSTS:

On Contract Costs, exclusive of Rolling Stock:	
\$28,496×3% for 1 year.....	855

110

## ADMINISTRATION, EXECUTIVE, LEGAL AND OFFICE COSTS:

On Contract Cost:	
\$33,774×2%.....	675

TOTAL COMPANY EXPENSES DURING CONSTRUCTION... \$12,166

## EXPENSES PRIOR TO CONSTRUCTION:

6% of Contract Cost:	
\$33,774×6%.....	2,026

## COST OF PROCURING MONEY:

(Termed Brokerage in Valuation Report) for the following items:

Contract Cost.....	\$33,774
Consents.....	12,800
Damages.....	24,400
Interest Items (except for interest on cost of procuring money)	9,826
Engineering, Design and Inspection Costs.....	855
Administration, Executive, Legal & Office.....	675
Company Expenses Prior to Construction.....	2,026

TOTAL.....	\$84,356
\$84,356×6%.....	5,061

TOTAL COMPANY EXPENSES..... \$19,253

THE BROOKLYN CITY RAILROAD COMPANY.

**STATEMENT I.**  
**THE BROOKLYN CITY RAILROAD COMPANY.**

ITEMS	TABLE I Classified in T. C. Valuation Report as Operating Property 1921 Underpriced			TABLE II Classified in T. C. Valuation Report as Non-Operating Property 1921 Underpriced			TABLE III Shortages in T. C. Valuation Report Inventory 1921 Underpriced		
	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)
Tracks and Structures .....	\$24,814,058	123.2	\$26,218,027	\$1,144,100	123.2	\$1,208,960	\$989,200		
Electrical and Mechanical Equipment .....	3,239,512	116.6	\$3,991,079	6,027	116.6	7,425	864,600		
Rolling Stock .....	8,538,100	100	8,794,243		100		344,900		
Contract Cost .....	\$36,591,670	100	\$39,003,949	1,150,127		\$1,210,285	\$2,168,700		
Company's Expenses During Construction .....	2,888,800		2,888,800			33,512	610,762		
Company's Expenses Prior to Construction .....	99,200		2,340,237			2,340,237	2,340,237		
Brokerage Fees for Marketing Securities .....	1,977,600		2,980,387			130,383	283,465		
Incidental .....				*87,525	109.3	95,005			
Materials and Supplies .....	97		552,000		100	17,000	31,000		
Right of Way .....	74,700		3,173,536	417,906		571,200	204,960		
Land .....	2,108,738						368,600		
Contingents .....							918,300		
Damages .....									
Grand Total .....	\$43,705,705		\$53,682,359	\$1,655,538		\$2,437,333	\$4,727,709		

\* Brokerage at 5% understood to be not included.

RECAPITULATION	
Total of Table I .....	\$53,682,359
Total of Table II .....	2,437,333
Total of Table III .....	4,727,709
Grand Total .....	\$60,847,401

## STATEMENT II.

THE BROOKLYN CITY RAILROAD COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE I.

## EXPENSES DURING CONSTRUCTION:

## INTEREST:

On Land and Right of Way, exclusive of perpetual Easements: \$3,173,536×8%×2½ years.....	\$634,707
On Contract Cost, exclusive of Rolling Stock: \$30,209,706×8%×1 year.....	2,416,776
On Rolling Stock: \$8,794,243×8%×1 year.....	175,885

SUB-TOTAL OF ABOVE INTEREST ITEMS..... \$3,227,368

On Cost of Procuring Money (i. e., on item termed Brokerage in Valuation Report): \$2,980,387×8%×2 years.....	476,862
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TOTAL INTEREST..... \$3,704,230

## TAXES:

On Land and Right of Way: \$3,173,536×2.8%×2½ years.....	222,148
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## ENGINEERING, DESIGN AND INSPECTION COSTS:

On Contract Costs, exclusive of Rolling Stock: \$30,209,706×3%.....	906,291
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## ADMINISTRATION, EXECUTIVE, LEGAL AND OFFICE COSTS:

On Contract Cost: \$39,003,949×2%.....	780,079
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## INSURANCE:

On Rolling Stock, insurable portion of Buildings, and Power Plant and Substation Equipment, equivalent to .05% of Contract Cost: \$39,003,949×.05%.....	19,502
--	--------

TOTAL COMPANY EXPENSES DURING CONSTRUCTION... \$5,632,250

## EXPENSES PRIOR TO CONSTRUCTION:

6% of Contract Cost: \$39,003,949×6%.....	2,340,237
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## COST OF PROCURING MONEY:

(Termed Brokerage in Valuation Report) for the following items:

Contract Cost.....	\$39,003,949
Land and Right of Way.....	3,173,536
Interest items (except for interest on cost of procuring money).....	3,227,368
Taxes.....	222,148
Engineering, Design and Inspection Costs.....	906,291
Administration, Executive and Legal and Office Costs.....	780,079
Insurance.....	19,502
Company expenses prior to construction.....	2,340,237

TOTAL..... \$49,673,110

\$49,673,110×6%.....	2,980,387
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TOTAL COMPANY EXPENSES..... \$10,952,874

## STATEMENT III.

THE BROOKLYN CITY RAILROAD COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE II.

Classified in Transit Valuation as "Not Used in Operation."

## EXPENSES DURING CONSTRUCTION:

## INTEREST:

On Land and Right of Way, exclusive of perpetual Easements: \$571,200×8%×2½ years.....	\$114,240
On Contract Cost, exclusive of Rolling Stock: \$1,216,285×8%×1 year.....	97,303

SUB-TOTAL OF ABOVE INTEREST ITEMS..... \$211,543

On Cost of Procuring Money (i. e., on item termed Brokerage in Valuation Report):

\$130,393×8%×2 years.....	20,863
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TOTAL INTEREST..... \$232,406

## TAXES:

On Land and Right of Way: \$571,200×2.8%×2½ years.....	39,984
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## ENGINEERING, DESIGN AND INSPECTION COSTS:

On Contract Costs, exclusive of Rolling Stock: \$1,216,285×3%.....	36,489
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## ADMINISTRATION, EXECUTIVE, LEGAL AND OFFICE COSTS:

On Contract Cost: \$1,216,285×2%.....	24,326
--	--------

## INSURANCE:

On insurable portion of Buildings, equivalent to .05% of Contract Cost: \$1,216,285×.05%.....	608
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TOTAL COMPANY EXPENSES DURING CONSTRUCTION... \$333,813

## EXPENSES PRIOR TO CONSTRUCTION:

6% of Contract Cost: \$1,216,285×6%.....	72,977
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## COST OF PROCURING MONEY:

(Termed Brokerage in Valuation Report) for the following items:

Contract Cost.....	\$1,216,285
Land and Right of Way.....	571,000
Interest items (except for interest on cost of procuring money).....	211,543
Taxes.....	39,984
Engineering, Design and Inspection Costs.....	36,489
Administrative, Executive, Legal and Office Costs.....	24,326
Insurance.....	608
Company Expenses prior to Construction.....	72,977

TOTAL..... \$2,173,212

\$2,173,212×6%.....	130,393
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TOTAL COMPANY EXPENSES..... \$537,183

## STATEMENT IV.

## THE BROOKLYN CITY RAILROAD COMPANY.

Based on Quantity Shortages Only and on Transit Commission Valuation Bureau Prices, Except as Stated.

## GRADING:

## Excavation:

T. C. has	444,206 cu. yds.	
should have	502,649 cu. yds.	
shortage	118,443 cu. yds.	\$313,900

## Ballast:

concrete under steel ties omitted		11,300
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## RAILS, RAIL FASTENINGS AND JOINTS:

## Rails:

T. C. has	34,349 net tons	
should have	34,900 net tons	
shortage	551 net tons	\$39,800

## Rail Fastenings:

T. C. has	37,727 cwt.	
should have	45,504 cwt.	
shortage	7,777 cwt.	38,500

## Joints:

T. C. has	44,167 each	
should have	64,060 each	
shortage	19,893 each	135,100

SHORTAGE. . . . . 213,400

## SPECIAL WORK:

T. C. has	160,003 lin. ft.	
should have	160,287 lin. ft.	
shortage	284 lin. ft.	2,300

## TRACK LAYING AND SURFACING:

T. C. has	1,240,255 lin. ft.	
should have	1,249,235 lin. ft.	
shortage	8,980 lin. ft.	8,200

## PAVING INSIDE RAILROAD AREA:

T. C. has	1,053,180 sq. yds.	
should have	1,081,751 sq. yds.	
shortage	28,571 sq. yds.	175,400

\$724,500

## BRIDGES, TRETTLES AND CULVERTS:

shortage		13,500
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## ELECTRICAL CONSTRUCTION INCLUDED IN TRACK, ETC.:

## Underground conduits, ducts in place:

T. C. has	1,669,600 duct ft.	
should have	1,684,025 duct ft.	
shortage	14,425 duct ft.	\$8,800

## Paving over ducts:

T. C. has	35,228 sq. yds.	
should have	53,930 sq. yds.	
shortage	18,702 sq. yds.	131,100

SHORTAGE. . . . . 140,600

## FURNITURE AND FIXTURES:

SHORTAGE. . . . . \$110,800 117

## DOCKS AND WHARVES:

52nd St. Dock. Apparently T. C. has omitted the old dock which is 900'x280' with crib construction on piles filled with rock and earth with cinder surface, and has only included the new pier which extends beyond the old dock	\$87,300
South Sixth St. Dock, slip and shelter, omitted by T. C.	127,100

SHORTAGE. . . . . 214,400

## POWER HOUSE AND SUBSTATION EQUIPMENT:

Shortage of the value of 52nd St. Power Plant, which T. C. has included in B. R. T. Co. inventory, but which is owned by B. C. R. R. This should be transferred to B. C. R. R.	\$93,400
Substation No. 1956 Hancock St. (Halsey) shortage	83,900
Substation No. 3-1430 Fulton St. (Tompkins)	47,900

SHORTAGE. . . . . 225,200

## BONDING:

Omitted by T. C.	192,000
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## TRACK SWITCHES:

Omitted by T. C.	39,000
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## MACHINE SHOP TOOLS:

Shortage	120,500
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## BUILDINGS:

T. C. Report includes all Maspeth Depot as belonging to B. C. R. R. 35.29% of the value of this building or \$115,000 should be transferred to B. H. R. R.

## ROLLING STOCK:

Shortage in extra trucks, extra motors, extra controllers, extra compressors, of	\$170,600
Shortage in truck parts, motor parts, controller parts, compressor parts, body-fittings, etc.	174,300

SHORTAGE. . . . . 344,900

## MISCELLANEOUS EQUIPMENT:

Omitted by T. C.	147,300
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## CONSENTS:

Omitted by T. C.	368,600
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## DAMAGES:

Omitted by T. C.	918,300
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PROPERTY SHORTAGE. . . . . \$3,559,600

## LAND AND RIGHT OF WAY:

Shortage in construction overhead being 5.66% of (A) \$724,500	41,000
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Deduct Account Maspeth Depot. . . . . \$3,805,560

(Transferred to B. H. R. R.) . . . . . 115,000

\$3,690,560

## TABLE III.

## SUMMARY OF SHORTAGES:

Track and Structures	\$989,200
Electrical and Mechanical	864,600
Rolling Stock	344,900

TOTAL SHORTAGE PHYSICAL PROPERTY. . . . . \$2,198,700

Real Estate and Right of Way. . . . . 204,960

Consents. . . . . 368,600

Damages. . . . . 918,300

GRAND TOTAL SHORTAGES. . . . . \$3,690,560

## STATEMENT V.

THE BROOKLYN CITY RAILROAD COMPANY.  
COMPANY EXPENSES COMPUTED ON TABLE III.

Based on Shortages in Transit Valuation Report.

## EXPENSES DURING CONSTRUCTION:

## INTEREST:

On Land and Right of Way, exclusive of perpetual Easements:	
\$204,960 $\times$ 8% $\times$ 2½ years.....	\$40,992
On Consents:	
\$368,600 $\times$ 8% $\times$ 2½ years.....	73,720
On Damages:	
\$918,300 $\times$ 8% $\times$ 2½ years.....	183,660
On Contract Cost, exclusive of Rolling Stock:	
\$1,853,800 $\times$ 8% $\times$ 1 year.....	148,304
On Rolling Stock:	
\$344,900 $\times$ 8% $\times$ ½ year.....	6,898

SUB-TOTAL OF ABOVE INTEREST ITEMS.....\$453,574

On Cost of Procuring Money (i. e., on item termed Brokerage in Valuation Report):	
\$263,465 $\times$ 8% $\times$ 2 years.....	42,154

TOTAL INTEREST.....\$495,728

## TAXES:

On Land and Right of Way:	
\$204,960 $\times$ 2.8% $\times$ 2½ years.....	14,347

## ENGINEERING, DESIGN AND INSPECTION COSTS:

On Contract Costs, exclusive of Rolling Stock:	
\$1,853,800 $\times$ 3% for 1 year.....	55,614

## ADMINISTRATION, EXECUTIVE, LEGAL AND OFFICE COSTS:

On Contract Cost:	
\$2,198,700 $\times$ 2%.....	43,974

## INSURANCE:

On Power Plant and Substation Equipment, equivalent to .05% of Contract Cost:	
\$2,198,700 $\times$ .05%.....	1,099

TOTAL COMPANY EXPENSES DURING CONSTRUCTION...\$610,762

## EXPENSES PRIOR TO CONSTRUCTION:

6% of Contract Cost:	
\$2,108,700 $\times$ 6%.....	131,922

## COST OF PROCURING MONEY:

(Termed Brokerage in Valuation Report) for the following items:

Contract Cost.....	\$2,198,700
Land and Right of Way.....	204,960
Consents.....	368,600
Damages.....	918,300
Interest Items (except for interest on cost of procuring money).....	453,574
Taxes.....	14,347
Engineering, Design and Inspection Costs.....	55,614
Administration, Execution and Legal.....	43,974
Insurance.....	1,099
Company Expenses Prior to Construction.....	131,922

TOTAL.....\$4,391,090

\$4,391,090 $\times$ 6%.....	263,465
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TOTAL COMPANY COSTS.....\$1,006,140

SUMMARIES AND PERCENTAGES OF OMISSIONS  
OR SHORTAGES FOR ALL COMPANIES.

TABLE A—BASED ON CONTRACT COST.

TABLE B—BASED ON CONTRACT COST PLUS LAND.

# OMISSIONS OR SHORTAGES IN VALUATION REPORT.

TABLE A SHOWING PER CENT OMISSIONS BASED ON CONTRACT COST

	Contract Cost Valuation Report	Omissions or Shortage based on Review estimation of Contract Cost	Percentage Ratio
The Nassau Electric Railroad Company.....	\$22,391,930	\$986,195	4.40
South Brooklyn Railway Company.....	5,135,513	876,241	17.06
The Coney Island and Brooklyn Railroad Company.....	10,862,307	399,033	3.68
Brooklyn, Queens County & Suburban Railroad Company.....	8,645,478	530,709	6.14
The Brooklyn City Railroad Company.....	37,747,771	2,346,709	6.22
The Brooklyn Heights Railroad Company.....	1,231,696	248,077	20.14
The Brooklyn Island Railroad Company.....	809,718	33,774	3.88
Coney Island and Gravesend Railway Company.....			
			Average 8.71%

TABLE B SHOWING PER CENT OMISSIONS BASED ON CONTRACT COST PLUS LAND

	Contract Cost Valuation Report	Omissions or Shortage based on Review Estimation of Contract Cost Plus Land	Percentage Ratio
The Nassau Electric Railroad Company.....	\$23,548,385	\$1,855,115	7.39
South Brooklyn Railway Company and Lessor Companies.....	7,642,691	2,360,540	30.39
The Coney Island and Brooklyn Railroad Company.....	1,988,039	441,233	22.20
Brooklyn, Queens County & Suburban Railroad Company.....	8,645,478	530,709	6.14
The Brooklyn City Railroad Company.....	40,338,141	2,403,602	5.96
The Brooklyn Heights Railroad Company.....	1,349,085	281,217	20.84
Coney Island and Gravesend Railway Company.....			
			Average 12.5%

SUPPLEMENT NUMBER ONE  
OF REVIEW DATED JULY 29, 1922  
FRANCIS BLOSSOM

SUPPLEMENT NUMBER ONE  
OF REVIEW DATED JULY 29, 1922

OF THE

Report by the Transit Commission Bureau of Valuation  
dated February 15, 1922, and titled

"Valuation as of June 30, 1921, of the Physical Property of Rapid Transit  
and Street Surface Railroads in the City of New York"

WITH SPECIAL REFERENCE TO

THE STREET SURFACE RAILROADS OF BROOKLYN

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AUGUST 2, 1922

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BY  
FRANCIS BLOSSOM

#### STATEMENT.

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This statement and the annexed tables and explanatory matter constitute Supplement Number One of the Review dated July 29, 1922, made by the undersigned of the Report dated February 15, 1922, of the Valuation Bureau of the Transit Commission.

The objective of this Supplement Number One is to present certain modifications of the figures given in such Review, and to summarize such modifications in the form of a new Summary Table to replace the table given on page 49 of such Review, which new Table contains also the comparative figures for each company taken from the Valuation Bureau Report.

There is also given here, following the above-mentioned revised Summary Table, a detailed statement, also in tabular form, showing the method by which the figures of the new Summary Table are computed. Explanatory notes are given after the detailed table in order to make clear the character of each of the items thereof. Such items comprise certain additions and certain deductions. The figures on page 49 of the Review are changed because some property and items that should have been listed were not included in the tables of such Review; and some property and items that should have been omitted or reduced in amount were included in the tables of such Review.

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FRANCIS BLOSSOM.

August 2, 1922.

SUMMARY TABLE.

COMPANY	Valuation Report	Revised Value
The Nassau Electric Railroad Company.....	\$26,309,070	\$34,335,707
The Coney Island and Brooklyn Railroad Company.....	13,296,492	16,815,948
Brooklyn, Queens County & Suburban Railroad Company.....	10,385,975	16,388,409
South Brooklyn Railway Company and Lessor Companies.....	8,307,528	14,322,522
The Brooklyn Heights Railroad Company.....	1,523,521	2,188,909
Coney Island & Gravesend Railway Company.....	977,318	1,231,066
The Brooklyn City Railroad Company.....	45,361,243	60,914,216
	<b>\$106,161,147</b>	<b>\$146,196,777</b>

## NEW SUMMARIES.

	The Nassau Electric Railroad Co.	The Coney Island and Brooklyn Railroad Co.	Brooklyn, Queens County & Suburban Railroad Co.	South Brooklyn Railway Co.	The Brooklyn Heights Railroad Company	Coney Island & Gravesend Railway Company	The Brooklyn City Railroad Company	TOTAL
(1) Add—Interest on Interest.....	\$126,735	\$63,618	\$94,618	\$118,108	\$9,065	\$3,455	\$256,166	\$670,795
(2) Add—Interest on Taxes.....	7,884	4,855	11,640	20,362	645	17,210	17,210	2,625,596
(3) Add—Inventory Omitted.....	133,619	68,473	2,062,080	136,470	9,710	3,455	273,376	2,743,871
(4) Deduct—Change due to tax basis.....	60,597	41,856	74,696	130,675	4,137	110,896	110,896	27,432,867
(5) Deduct—Change due to duplication of overheads.....	65,564	54,054	11,658	12,282	4,137	95,685	239,221	239,221
(6) Total Deduction.....	116,161	95,910	86,355	142,957	4,137	206,581	652,081	652,081
(7) Net Changes.....	17,458	-27,437	2,071,983	-4,487	5,573	3,455	66,815	2,133,390
(8) Summary Values From page 49 of Review.....	34,318,249	16,843,385	14,316,426	14,327,069	2,183,398	1,227,581	60,847,401	144,083,387
(9) Summary of Valuation.....	34,335,707	16,815,948	16,388,409	14,322,522	2,188,909	1,231,066	60,914,216	146,196,777

Line (2) Interest on Interest item of Statements II, III and V. This money would have to be provided.  
 Line (3) Interest on Tax item of Statements II, III and V. This money would have to be provided.  
 Line (4) For Brooklyn, Queens County & Suburban Railroad Co. Land shown on page 2, Statement IV, but not included in column 3 of Table III on Statement I. X values to be determined later, should be added for out and fill, retaining walls, etc. of South Brooklyn Railway Company between New York City and Coney Island, Avenue, and between 38th and 39th Streets.

Line (5) Total of lines 2, 3, 4.  
 Line (6) Taxes refigured on assessed land values as obtained from Mr. Bennington.  
 Line (7) Valuation Report figures of Incidentals in table of Property not Used in Operation—deducted because included in Review figures for company expenses.

Line (8) Totals of lines 6 and 7.  
 Line (9) Taxes 8 minus line 6 showing net additions (those marked with minus sign constituting net deductions.)  
 Line (10) Summary Values from page 49 of Review.  
 Line (11) Line 9 plus line 10 showing new summary of valuations.

NOTE—Since the foregoing Review was prepared the Company has supplied the figure of \$1,500,000 as its estimate of the value of X appearing in the last table.

MSH 03731  
03732(suppl.)



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APR 8 1929

**END OF  
TITLE**